

FORM 10-Q

(Mark One)

For the quarterly period ended March 31, 2015.

For the transition period from to .

Commission File Number 0-20288

(Exact name of issuer as specified in its charter)

(Former name, former address and former fiscal year, if changed since last report)

The number of shares of common stock outstanding at April 30, 2015 was 57,692,047 .

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PART I - FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS
Columbia Banking System, Inc.
(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
	<i>(in thousands)</i>	
Cash and due from banks	\$ 177,026	\$ 171,221
Interest-earning deposits with banks	71,575	16,949
Total cash and cash equivalents	248,601	188,170
Securities available for sale at fair value (amortized cost of \$1,981,977 and \$2,087,069, respectively)	2,007,159	2,098,257
Federal Home Loan Bank stock at cost	33,004	33,365
Loans held for sale	3,545	1,116
Loans, net of unearned income of (\$53,867) and (\$59,374), respectively	5,450,895	5,445,378
Less: allowance for loan and lease losses	70,234	69,569
Loans, net	5,380,661	5,375,809
FDIC loss-sharing asset	14,644	15,174
Interest receivable	29,088	27,802
Premises and equipment, net	172,958	172,090
Other real estate owned	23,299	22,190
Goodwill	382,537	382,537
Other intangible assets, net	28,642	30,459
Other assets	228,764	231,877
Total assets	<u>\$ 8,552,902</u>	<u>\$ 8,578,846</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	\$ 3,260,376	\$ 2,651,373
Interest-bearing	3,814,589	4,273,349
Total deposits	7,074,965	6,924,722
Federal Home Loan Bank advances	36,559	216,568
Securities sold under agreements to repurchase	96,852	105,080
Other borrowings	—	8,248
Other liabilities	100,083	96,053
Total liabilities	7,308,459	7,350,671
Commitments and contingent liabilities		
Shareholders' equity:		
	March 31, 2015	December 31, 2014
	<i>(in thousands)</i>	
Preferred stock (no par value)		
Authorized shares	2,000	2,000
Issued and outstanding	9	9
Common stock (no par value)		
Authorized shares	63,033	63,033
Issued and outstanding	57,699	57,437
Retained earnings	241,592	234,498
Accumulated other comprehensive income	14,286	5,621
Total shareholders' equity	<u>1,244,443</u>	<u>1,228,175</u>
Total liabilities and shareholders' equity	<u>\$ 8,552,902</u>	<u>\$ 8,578,846</u>

See accompanying Notes to unaudited Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Columbia Banking System, Inc.

(Unaudited)

	Three Months Ended	
	March 31,	
	2015	2014
	<i>(in thousands except per share amounts)</i>	
<i>Interest Income</i>		
Loans	\$ 70,822	\$ 65,541
Taxable securities	7,526	6,752
Tax-exempt securities	3,042	2,618
Deposits in banks	27	14
Total interest income	81,417	74,925
<i>Interest Expense</i>		
Deposits	748	752
Federal Home Loan Bank advances	159	114
Other borrowings	146	119
Total interest expense	1,053	985
<i>Net Interest Income</i>	80,364	73,940
Provision for loan and lease losses	1,209	1,922
Net interest income after provision for loan and lease losses	79,155	72,018
<i>Noninterest Income</i>		
Service charges and other fees	14,869	12,936
Merchant services fees	2,040	1,870
Investment securities gains, net	721	223
Bank owned life insurance	1,078	965
Change in FDIC loss-sharing asset	150	(4,819)
Other	3,909	2,833
Total noninterest income	22,767	14,008
<i>Noninterest Expense</i>		
Compensation and employee benefits	39,100	31,338
Occupancy	7,993	8,244
Merchant processing	977	980
Advertising and promotion	931	769
Data processing and communications	4,984	3,520
Legal and professional fees	2,507	2,169
Taxes, licenses and fees	1,232	1,180
Regulatory premiums	1,221	1,176
Net cost (benefit) of operation of other real estate owned	(1,246)	146
Amortization of intangibles	1,817	1,580
Other	7,218	6,284
Total noninterest expense	66,734	57,386
Income before income taxes	35,188	28,640
Income tax provision	10,827	8,796
<i>Net Income</i>	\$ 24,361	\$ 19,844
Earnings per common share		
Basic	\$ 0.42	\$ 0.38
Diluted	\$ 0.42	\$ 0.37
Dividends paid per common share	\$ 0.30	\$ 0.12
Weighted average number of common shares outstanding	56,965	51,097
Weighted average number of diluted common shares outstanding	56,978	52,433

See accompanying Notes to unaudited Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Columbia Banking System, Inc.
(Unaudited)

	Three Months Ended	
	March 31,	
	2015	2014
	<i>(in thousands)</i>	
Net income as reported	\$ 24,361	\$ 19,844
Other comprehensive income, net of tax:		
Unrealized gain from securities:		
Net unrealized holding gain from available for sale securities arising during the period, net of tax of (\$5,338) and (\$4,049)	9,376	7,119
Reclassification adjustment of net gain from sale of available for sale securities included in income, net of tax of \$262 and \$81	(459)	(142)
Net unrealized gain from securities, net of reclassification adjustment	8,917	6,977
Pension plan liability adjustment:		
Net unrealized loss from unfunded defined benefit plan liability arising during the period, net of tax of \$159 and \$0	(280)	—
Amortization of unrecognized net actuarial loss included in net periodic pension cost, net of tax of (\$16) and (\$13)	28	24
Pension plan liability adjustment, net	(252)	24
Other comprehensive income	8,665	7,001
Total comprehensive income	<u>\$ 33,026</u>	<u>\$ 26,845</u>

See accompanying Notes to unaudited Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Columbia Banking System, Inc.
(Unaudited)

	Preferred Stock		Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Number of Shares	Amount	Number of Shares	Amount			
	<i>(in thousands)</i>						
Balance at January 1, 2015	9	\$ 2,217	57,437	\$ 985,839	\$ 234,498	\$ 5,621	\$ 1,228,175
Net income	—	—	—	—	24,361	—	24,361
Other comprehensive income	—	—	—	—	—	8,665	8,665
Issuance of common stock - stock option and other plans	—	—	17	428	—	—	428
Issuance of common stock - restricted stock awards, net of canceled awards	—	—	273	862	—	—	862
Purchase and retirement of common stock	—	—	(28)	(781)	—	—	(781)
Preferred dividends	—	—	—	—	(31)	—	(31)
Cash dividends paid on common stock	—	—	—	—	(17,236)	—	(17,236)
Balance at March 31, 2015	<u>9</u>	<u>\$ 2,217</u>	<u>57,699</u>	<u>\$ 986,348</u>	<u>\$ 241,592</u>	<u>\$ 14,286</u>	<u>\$ 1,244,443</u>
Balance at January 1, 2014	9	\$ 2,217	51,265	\$ 860,562	\$ 202,514	\$ (12,044)	\$ 1,053,249
Net income	—	—	—	—	19,844	—	19,844
Other comprehensive income	—	—	—	—	—	7,001	7,001
Issuance of common stock - cashless exercise of warrants	—	—	1,140	—	—	—	—
Issuance of common stock - stock option and other plans	—	—	19	405	—	—	405
Issuance of common stock - restricted stock awards, net of canceled awards	—	—	197	680	—	—	680
Purchase and retirement of common stock	—	—	(21)	(522)	—	—	(522)
Preferred dividends	—	—	—	—	(12)	—	(12)
Cash dividends paid on common stock	—	—	—	—	(6,154)	—	(6,154)
Balance at March 31, 2014	<u>9</u>	<u>\$ 2,217</u>	<u>52,600</u>	<u>\$ 861,125</u>	<u>\$ 216,192</u>	<u>\$ (5,043)</u>	<u>\$ 1,074,491</u>

See accompanying Notes to unaudited Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Columbia Banking System, Inc.

(Unaudited)

	Three Months Ended March 31,	
	2015	2014 (1)
	(in thousands)	
Cash Flows From Operating Activities		
Net Income	\$ 24,361	\$ 19,844
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan and lease losses	1,209	1,922
Stock-based compensation expense	862	680
Depreciation, amortization and accretion	7,735	8,972
Investment securities gain, net	(721)	(223)
Net realized (gain) loss on sale of other assets	(306)	8
Net realized gain on sale of other real estate owned	(1,736)	(1,659)
Write-down on other real estate owned	197	1,580
Net change in:		
Loans held for sale	(2,429)	735
Interest receivable	(1,286)	(1,394)
Interest payable	(79)	(13)
Other assets	(4,531)	5,714
Other liabilities	3,680	(649)
Net cash provided by operating activities	26,956	35,517
Cash Flows From Investing Activities		
Loans originated and acquired, net of principal collected	(12,443)	(64,065)
Purchases of:		
Securities available for sale	(11,362)	(10,787)
Premises and equipment	(4,032)	(4,930)
Proceeds from:		
FDIC reimbursement on loss-sharing asset	1,138	539
Sales of securities available for sale	57,243	6,441
Principal repayments and maturities of securities available for sale	54,451	36,530
Sales of loans held for investments and other assets	7,745	337
Sales of other real estate and other personal property owned (1)	5,067	11,205
Payments to FDIC related to loss-sharing asset	(479)	(2,217)
Net cash provided by (used in) investing activities	97,328	(26,947)
Cash Flows From Financing Activities		
Net increase in deposits	150,243	84,941
Net decrease in sweep repurchase agreements	(8,228)	—
Proceeds from:		
Federal Home Loan Bank advances	624,000	587,000
Federal Reserve Bank borrowings	—	50
Exercise of stock options	428	405
Payments for:		
Repayment of Federal Home Loan Bank advances	(804,000)	(617,000)
Repayment of Federal Reserve Bank borrowings	—	(50)
Common stock dividends	(17,236)	(6,154)
Preferred stock dividends	(31)	(12)
Repayment of other borrowings	(8,248)	—
Purchase and retirement of common stock	(781)	(522)
Net cash provided by (used in) financing activities	(63,853)	48,658
Increase in cash and cash equivalents	60,431	57,228
Cash and cash equivalents at beginning of period		

	188,170	179,561
Cash and cash equivalents at end of period	\$ 248,601	\$ 236,789
Supplemental Information:		
Cash paid during the period for:		
Cash paid for interest	\$ 1,132	\$ 999
Cash paid for income tax	\$ 13	\$ 10
Non-cash investing and financing activities		
Loans transferred to other real estate owned	\$ 4,692	\$ 5,751

(1) Reclassified to conform to the current period’s presentation. The reclassification was limited to removing the separate line item for “Sales of covered other real estate owned” and including the prior period activity in the line item for sales of other real estate and other personal property owned.

See accompanying Notes to unaudited Consolidated Financial Statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Columbia Banking System, Inc.

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The interim unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. The consolidated financial statements include the accounts of Columbia Banking System, Inc. (“we”, “our”, “Columbia” or the “Company”) and its subsidiaries, including its wholly owned banking subsidiary Columbia State Bank (“Columbia Bank” or the “Bank”) and West Coast Trust Company, Inc. (“West Coast Trust”). All intercompany transactions and accounts have been eliminated in consolidation. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of the results for the interim periods presented have been included. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of results to be anticipated for the year ending December 31, 2015. The accompanying interim unaudited consolidated financial statements should be read in conjunction with the financial statements and related notes contained in the Company’s 2014 Annual Report on Form 10-K.

Due to the timing of the acquisition of Intermountain Community Bancorp (“Intermountain”) on November 1, 2014, our results of operations for the three month period ended March 31, 2015 include the acquisition for the entire three month period, however the prior year period’s results of operations do not include the acquisition. See Note 3, Business Combinations, for further information regarding this acquisition.

Significant Accounting Policies

The significant accounting policies used in preparation of our consolidated financial statements are disclosed in our 2014 Annual Report on Form 10-K. There have not been any changes in our significant accounting policies compared to those contained in our 2014 Form 10-K disclosure for the year ended December 31, 2014.

2. Accounting Pronouncements Recently Issued

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-05, *Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement*. The Update provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new guidance does not change the accounting for a customer’s accounting for service contracts. ASU No. 2015-05 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company is currently assessing the impact that this guidance will have on its consolidated financial statements, but does not expect the guidance to have a material impact on the Company’s consolidated financial statements.

In June 2014, the FASB issued ASU 2014-11, *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. The Update changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with accounting for other repurchase agreements. Additionally, the amendment requires new disclosures on transfers accounted for as sales in transactions that are economically similar to repurchase agreements and requires increased transparency on collateral pledged in secured borrowings. The amendments in this update will be effective for the first interim or annual period beginning after December 31, 2014, with the exception of the collateral disclosures which will be effective for interim periods beginning after March 15, 2015. Early application is not permitted. The Company does not expect the guidance to have a material impact on the Company’s consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The guidance in this update supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the codification. For public companies, this update will be effective for interim and annual periods beginning after December 15, 2016. The Company is currently assessing the impact that this guidance will have on its consolidated financial statements, but does not expect the guidance to have a material impact on the Company’s consolidated financial statements.

3. Business Combinations

On November 1, 2014, the Company completed its acquisition of Intermountain. The Company paid \$131.9 million in total consideration to acquire 100% of the equity interests of Intermountain. The primary reason for the acquisition was to expand the Company's geographic footprint into the state of Idaho, consistent with its ongoing growth strategy.

The assets acquired and liabilities assumed have been accounted for under the acquisition method of accounting. The assets and liabilities, both tangible and intangible, were recorded at their estimated fair values as of the November 1, 2014 acquisition date. Initial accounting for deferred taxes was incomplete as of March 31, 2015. The amount currently recognized in the financial statements has been determined provisionally as the final Intermountain Community Bancorp tax return has not yet been completed. The fair value of the net assets acquired totaled \$93.4 million, including \$736.8 million of deposits, \$502.6 million of loans and \$10.9 million of other intangible assets. Goodwill of \$38.6 million was recorded as part of the acquisition. The goodwill is not deductible for income tax purposes.

The operating results of the Company reported herein include the operating results produced by the acquired assets and assumed liabilities for the period January 1, 2015 to March 31, 2015. Disclosure of the amount of Intermountain's revenue and net income (excluding integration costs) included in Columbia's consolidated income statement is impracticable due to the integration of the operations and accounting for this acquisition.

For illustrative purposes only, the following table presents certain unaudited pro forma information for the three month period ended March 31, 2014. This unaudited pro forma information was calculated as if Intermountain had been acquired as of the beginning of the year prior to the date of acquisition. The unaudited pro forma information combines the historical results of Intermountain with the Company's consolidated historical results and includes certain adjustments reflecting the estimated impact of certain fair value adjustments for the respective period. The pro forma information is not indicative of what would have occurred had the acquisition occurred as of the beginning of the year prior to the acquisition. In particular, no adjustments have been made to eliminate the impact of other-than-temporary impairment losses and losses recognized on the sale of securities that may not have been necessary had the investment securities been recorded at fair value as of the beginning of the year prior to the date of acquisition. The unaudited pro forma information does not consider any changes to the provision for credit losses resulting from recording loan assets at fair value. Additionally, Columbia expects to achieve further operating cost savings and other business synergies, including revenue growth, as a result of the acquisition which are not reflected in the pro forma amounts that follow. As a result, actual amounts would have differed from the unaudited pro forma information presented.

	Unaudited Pro Forma Three Months Ended March 31, 2014 <i>(in thousands except per share)</i>	
Total revenues (net interest income plus noninterest income)	\$	97,488
Net income	\$	21,078
Earnings per share - basic	\$	0.38
Earnings per share - diluted	\$	0.37

In connection with the Intermountain acquisition, Columbia recognized \$2.9 million in acquisition-related expenses for the three month period ended March 31, 2015 and recognized no acquisition-related expenses for the three month period ended March 31, 2014. In addition, related to the acquisition of West Coast Bancorp ("West Coast") which was completed on April 1, 2013, Columbia recognized \$72 thousand and \$966 thousand in acquisition-related expenses for the three month periods ended March 31, 2015 and 2014, respectively.

The following table shows the impact of the acquisition-related expenses related to the acquisition of Intermountain for the three months ended March 31, 2015 to the various components of noninterest expense:

	Three Months Ended March 31, 2015	
	<i>(in thousands)</i>	
Noninterest Expense		
Compensation and employee benefits	\$	273
Occupancy		499
Advertising and promotion		96
Data processing and communications		1,558
Legal and professional fees		385
Other		91
Total impact of acquisition-related costs to noninterest expense	\$	2,902

See Note 2, Business Combinations, in Item 8 of our 2014 Form 10-K for additional details related to the Intermountain acquisition.

4. Securities

The following table summarizes the amortized cost, gross unrealized gains and losses and the resulting fair value of securities available for sale:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	<i>(in thousands)</i>			
March 31, 2015				
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	\$ 1,093,576	\$ 13,765	\$ (4,641)	\$ 1,102,700
State and municipal securities	486,969	15,434	(732)	501,671
U.S. government agency and government-sponsored enterprise securities	375,230	2,551	(983)	376,798
U.S. government securities	20,918	—	(140)	20,778
Other securities	5,284	40	(112)	5,212
Total	<u>\$ 1,981,977</u>	<u>\$ 31,790</u>	<u>\$ (6,608)</u>	<u>\$ 2,007,159</u>
December 31, 2014				
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	\$ 1,160,378	\$ 10,219	\$ (8,210)	\$ 1,162,387
State and municipal securities	483,578	14,432	(1,526)	496,484
U.S. government agency and government-sponsored enterprise securities	416,919	856	(4,069)	413,706
U.S. government securities	20,910	—	(411)	20,499
Other securities	5,284	20	(123)	5,181
Total	<u>\$ 2,087,069</u>	<u>\$ 25,527</u>	<u>\$ (14,339)</u>	<u>\$ 2,098,257</u>

Proceeds from sales of securities available-for-sale were \$57.2 million and \$6.4 million for the three months ended March 31, 2015 and 2014, respectively. The following table provides the gross realized gains and losses on the sales of securities for the periods indicated:

	Three Months Ended	
	March 31,	
	2015	2014
	<i>(in thousands)</i>	
Gross realized gains	\$ 730	\$ 223
Gross realized losses	(9)	—
Net realized gains	\$ 721	\$ 223

The scheduled contractual maturities of investment securities available for sale at March 31, 2015 are presented as follows:

	March 31, 2015	
	Amortized Cost	Fair Value
	<i>(in thousands)</i>	
Due within one year	\$ 15,480	\$ 15,601
Due after one year through five years	404,752	406,989
Due after five years through ten years	526,230	534,584
Due after ten years	1,030,231	1,044,773
Other securities with no stated maturity	5,284	5,212
Total investment securities available-for-sale	\$ 1,981,977	\$ 2,007,159

The following table summarizes the carrying value of securities pledged as collateral to secure public deposits, borrowings and other purposes as permitted or required by law:

	March 31, 2015
	<i>(in thousands)</i>
Washington and Oregon State to secure public deposits	\$ 323,771
Federal Reserve Bank to secure borrowings	36,945
Other securities pledged	156,385
Total securities pledged as collateral	\$ 517,101

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2015 and December 31, 2014 :

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
March 31, 2015						
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	\$ 94,304	\$ (634)	\$ 213,050	\$ (4,007)	\$ 307,354	\$ (4,641)
State and municipal securities	45,809	(227)	31,597	(505)	77,406	(732)
U.S. government agency and government-sponsored enterprise securities	999	(1)	178,013	(982)	179,012	(983)
U.S. government securities	1,050	(1)	19,728	(139)	20,778	(140)
Other securities	—	—	2,843	(112)	2,843	(112)
Total	\$ 142,162	\$ (863)	\$ 445,231	\$ (5,745)	\$ 587,393	\$ (6,608)
December 31, 2014						
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	\$ 258,825	\$ (1,287)	\$ 279,015	\$ (6,924)	\$ 537,840	\$ (8,211)
State and municipal securities	71,026	(543)	44,148	(982)	115,174	(1,525)
U.S. government agency and government-sponsored enterprise securities	105,250	(518)	216,221	(3,551)	321,471	(4,069)
U.S. government securities	—	—	19,450	(411)	19,450	(411)
Other securities	2,313	(2)	2,834	(121)	5,147	(123)
Total	\$ 437,414	\$ (2,350)	\$ 561,668	\$ (11,989)	\$ 999,082	\$ (14,339)

At March 31, 2015 , there were 77 U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations securities in an unrealized loss position, of which 34 were in a continuous loss position for 12 months or more. The decline in fair value is attributable to changes in interest rates relative to where these investments fall within the yield curve and their individual characteristics. Because the Company does not intend to sell these securities nor does the Company consider it more likely than not that it will be required to sell these securities before the recovery of amortized cost basis, which may be upon maturity, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2015 .

At March 31, 2015 , there were 66 state and municipal government securities in an unrealized loss position, of which 32 were in a continuous loss position for 12 months or more. The unrealized losses on state and municipal securities were caused by interest rate changes or widening of market spreads subsequent to the purchase of the individual securities. Management monitors published credit ratings of these securities for adverse changes. As of March 31, 2015 , none of the rated obligations of state and local government entities held by the Company had a below investment grade credit rating. Because the credit quality of these securities are investment grade and the Company does not intend to sell these securities nor does the Company consider it more likely than not that it will be required to sell these securities before the recovery of amortized cost basis, which may be upon maturity, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2015 .

At March 31, 2015 , there were 18 U.S. government agency and government-sponsored enterprise securities in an unrealized loss position, 14 of which were in a continuous loss position for 12 months or more. The decline in fair value is attributable to changes in interest rates relative to where these investments fall within the yield curve and their individual characteristics. Because the Company does not currently intend to sell these securities nor does the Company consider it more likely than not that it will be required to sell these securities before the recovery of amortized cost basis, which may be upon maturity, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2015 .

At March 31, 2015 , there were four U.S. government securities in an unrealized loss position, two of which were in a continuous loss position for 12 months or more. The decline in fair value is attributable to changes in interest rates relative to where these investments fall within the yield curve and their individual characteristics. Because the Company does not currently intend to sell these securities nor does the Company consider it more likely than not that it will be required to sell

these securities before the recovery of amortized cost basis, which may be upon maturity, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2015 .

At March 31, 2015 , there was one other security in an unrealized loss position, which was in a continuous unrealized loss position for 12 months or more. The decline in fair value is attributable to changes in interest rates and the additional risk premium investors are demanding for investment securities with these characteristics. The Company does not consider this investment to be other-than-temporarily impaired at March 31, 2015 as it has the intent and ability to hold the investment for sufficient time to allow for recovery in the market value.

5. Loans

The Company’s loan portfolio includes originated and purchased loans. Originated loans and purchased loans for which there was no evidence of credit deterioration at their acquisition date and it was probable that we would be able to collect all contractually required payments are referred to collectively as loans, excluding purchased credit impaired loans. Purchased loans for which there was, at acquisition date, evidence of credit deterioration since their origination and it was probable that we would be unable to collect all contractually required payments are referred to as purchased credit impaired loans, or “PCI loans.”

The following is an analysis of the loan portfolio by major types of loans (net of unearned income):

	March 31, 2015			December 31, 2014		
	Loans, excluding PCI loans	PCI Loans	Total	Loans, excluding PCI loans	PCI Loans	Total
<i>(in thousands)</i>						
Commercial business	\$ 2,139,873	\$ 46,335	\$ 2,186,208	\$ 2,119,565	\$ 44,505	\$ 2,164,070
Real estate:						
One-to-four family residential	173,739	26,601	200,340	175,571	26,993	202,564
Commercial and multifamily residential	2,374,454	118,230	2,492,684	2,363,541	128,769	2,492,310
Total real estate	2,548,193	144,831	2,693,024	2,539,112	155,762	2,694,874
Real estate construction:						
One-to-four family residential	124,017	3,797	127,814	116,866	4,021	120,887
Commercial and multifamily residential	119,880	2,238	122,118	134,443	2,321	136,764
Total real estate construction	243,897	6,035	249,932	251,309	6,342	257,651
Consumer	352,960	22,638	375,598	364,182	23,975	388,157
Less: Net unearned income	(53,867)	—	(53,867)	(59,374)	—	(59,374)
Total loans, net of unearned income	5,231,056	219,839	5,450,895	5,214,794	230,584	5,445,378
Less: Allowance for loan and lease losses	(53,703)	(16,531)	(70,234)	(53,233)	(16,336)	(69,569)
Total loans, net	\$ 5,177,353	\$ 203,308	\$ 5,380,661	\$ 5,161,561	\$ 214,248	\$ 5,375,809
Loans held for sale	\$ 3,545	\$ —	\$ 3,545	\$ 1,116	\$ —	\$ 1,116

At March 31, 2015 and December 31, 2014 , the Company had no material foreign activities. Substantially all of the Company’s loans and unfunded commitments are geographically concentrated in its service areas within the states of Washington, Oregon and Idaho.

The Company has made loans to executive officers and directors of the Company and related interests. These loans are made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than the normal risk of collectability. The aggregate dollar amount of these loans was \$12.7 million at March 31, 2015 and \$13.2 million at December 31, 2014 . During the first three months of 2015 , there were no advances and repayments totaled \$430 thousand .

At March 31, 2015 and December 31, 2014 , \$1.30 billion and \$1.08 billion of commercial and residential real estate loans were pledged as collateral on Federal Home Loan Bank of Seattle (“FHLB”) borrowings and additional borrowing capacity. The Company has also pledged \$47.0 million and \$46.0 million of commercial loans to the Federal Reserve Bank for additional borrowing capacity at March 31, 2015 and December 31, 2014 , respectively.

The following is an analysis of nonaccrual loans as of March 31, 2015 and December 31, 2014 :

	March 31, 2015		December 31, 2014	
	Recorded Investment Nonaccrual Loans	Unpaid Principal Balance Nonaccrual Loans	Recorded Investment Nonaccrual Loans	Unpaid Principal Balance Nonaccrual Loans
	<i>(in thousands)</i>			
Commercial business:				
Secured	\$ 17,240	\$ 20,573	\$ 16,552	\$ 21,453
Unsecured	189	211	247	269
Real estate:				
One-to-four family residential	4,429	6,109	2,822	5,680
Commercial & multifamily residential:				
Commercial land	1,616	1,560	821	1,113
Income property	887	887	3,200	5,521
Owner occupied	1,995	2,036	3,826	5,837
Real estate construction:				
One-to-four family residential:				
Land and acquisition	871	871	95	112
Residential construction	1,263	1,263	370	370
Commercial & multifamily residential:				
Owner occupied	470	489	480	489
Consumer	2,868	3,799	2,939	3,930
Total	<u>\$ 31,828</u>	<u>\$ 37,798</u>	<u>\$ 31,352</u>	<u>\$ 44,774</u>

Loans, excluding purchased credit impaired loans

The following is an aging of the recorded investment of the loan portfolio as of March 31, 2015 and December 31, 2014 :

	Current Loans	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Nonaccrual Loans	Total Loans
March 31, 2015	<i>(in thousands)</i>						
Commercial business:							
Secured	\$ 2,024,277	\$ 11,910	\$ 1,874	\$ 58	\$ 13,842	\$ 17,240	\$ 2,055,359
Unsecured	78,351	492	120	67	679	189	79,219
Real estate:							
One-to-four family residential	164,962	771	124	21	916	4,429	170,307
Commercial & multifamily residential:							
Commercial land	186,904	4,303	355	264	4,922	1,616	193,442
Income property	1,305,595	2,502	560	—	3,062	887	1,309,544
Owner occupied	841,551	2,206	435	—	2,641	1,995	846,187
Real estate construction:							
One-to-four family residential:							
Land and acquisition	15,860	67	—	—	67	871	16,798
Residential construction	104,378	—	—	4	4	1,263	105,645
Commercial & multifamily residential:							
Income property	62,958	—	—	—	—	—	62,958
Owner occupied	54,969	—	—	—	—	470	55,439
Consumer	331,566	1,509	193	22	1,724	2,868	336,158
Total	<u>\$ 5,171,371</u>	<u>\$ 23,760</u>	<u>\$ 3,661</u>	<u>\$ 436</u>	<u>\$ 27,857</u>	<u>\$ 31,828</u>	<u>\$ 5,231,056</u>
	Current Loans	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Nonaccrual Loans	Total Loans
December 31, 2014	<i>(in thousands)</i>						
Commercial business:							
Secured	\$ 2,004,418	\$ 5,137	\$ 6,149	\$ 1,372	\$ 12,658	\$ 16,552	\$ 2,033,628
Unsecured	79,661	185	—	—	185	247	80,093
Real estate:							
One-to-four family residential	167,197	1,700	45	—	1,745	2,822	171,764
Commercial & multifamily residential:							
Commercial land	187,470	1,454	34	—	1,488	821	189,779
Income property	1,294,982	3,031	786	—	3,817	3,200	1,301,999
Owner occupied	839,689	937	289	—	1,226	3,826	844,741
Real estate construction:							
One-to-four family residential:							
Land and acquisition	15,462	953	—	—	953	95	16,510
Residential construction	97,821	326	—	4	330	370	98,521
Commercial & multifamily residential:							
Income property	73,783	—	—	—	—	—	73,783
Owner occupied	57,470	—	994	—	994	480	58,944
Consumer	341,032	933	118	10	1,061	2,939	345,032
Total	<u>\$ 5,158,985</u>	<u>\$ 14,656</u>	<u>\$ 8,415</u>	<u>\$ 1,386</u>	<u>\$ 24,457</u>	<u>\$ 31,352</u>	<u>\$ 5,214,794</u>

The following is an analysis of impaired loans as of March 31, 2015 and December 31, 2014 :

	Recorded Investment of Loans Collectively Measured for Contingency Provision	Recorded Investment of Loans Individually Measured for Specific Impairment	Impaired Loans With Recorded Allowance			Impaired Loans Without Recorded Allowance	
			Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance
March 31, 2015	<i>(in thousands)</i>						
Commercial business:							
Secured	\$ 2,044,486	\$ 10,873	\$ 96	\$ 96	\$ 24	\$ 10,777	\$ 12,986
Unsecured	79,219	—	—	—	—	—	—
Real estate:							
One-to-four family residential	166,129	4,178	420	461	115	3,758	4,220
Commercial & multifamily residential:							
Commercial land	192,972	470	—	—	—	470	470
Income property	1,307,556	1,988	—	—	—	1,988	2,355
Owner occupied	839,157	7,030	578	578	24	6,452	8,944
Real estate construction:							
One-to-four family residential:							
Land and acquisition	15,818	980	109	108	67	871	871
Residential construction	104,752	893	—	—	—	893	893
Commercial & multifamily residential:							
Income property	62,958	—	—	—	—	—	—
Owner occupied	55,439	—	—	—	—	—	—
Consumer	335,474	684	—	—	—	684	895
Total	<u>\$ 5,203,960</u>	<u>\$ 27,096</u>	<u>\$ 1,203</u>	<u>\$ 1,243</u>	<u>\$ 230</u>	<u>\$ 25,893</u>	<u>\$ 31,634</u>
	Recorded Investment of Loans Collectively Measured for Contingency Provision	Recorded Investment of Loans Individually Measured for Specific Impairment	Impaired Loans With Recorded Allowance			Impaired Loans Without Recorded Allowance	
			Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance
December 31, 2014	<i>(in thousands)</i>						
Commercial business:							
Secured	\$ 2,023,104	\$ 10,524	\$ 99	\$ 99	\$ 25	\$ 10,425	\$ 12,410
Unsecured	80,091	2	2	2	2	—	—
Real estate:							
One-to-four family residential	169,619	2,145	424	465	120	1,721	2,370
Commercial & multifamily residential:							
Commercial land	189,779	—	—	—	—	—	—
Income property	1,295,650	6,349	—	—	—	6,349	10,720
Owner occupied	835,895	8,846	582	582	27	8,264	12,732
Real estate construction:							
One-to-four family residential:							
Land and acquisition	16,401	109	109	109	67	—	—
Residential construction	98,521	—	—	—	—	—	—
Commercial & multifamily residential:							
Income property	73,783	—	—	—	—	—	—
Owner occupied	58,944	—	—	—	—	—	—
Consumer	344,908	124	—	—	—	124	201
Total	<u>\$ 5,186,695</u>	<u>\$ 28,099</u>	<u>\$ 1,216</u>	<u>\$ 1,257</u>	<u>\$ 241</u>	<u>\$ 26,883</u>	<u>\$ 38,433</u>

The following table provides additional information on impaired loans for the three month periods indicated:

	Three Months Ended March 31,			
	2015		2014	
	Average Recorded Investment Impaired Loans	Interest Recognized on Impaired Loans	Average Recorded Investment Impaired Loans	Interest Recognized on Impaired Loans
	<i>(in thousands)</i>			
Commercial business:				
Secured	\$ 10,698	\$ 7	\$ 6,232	\$ 17
Unsecured	1	—	31	—
Real estate:				
One-to-four family residential	3,162	13	1,856	13
Commercial & multifamily residential:				
Commercial land	235	—	111	—
Income property	4,168	10	6,436	62
Owner occupied	7,938	234	10,140	241
Real estate construction:				
One-to-four family residential:				
Land and acquisition	544	1	1,569	1
Residential construction	446	—	—	—
Consumer	404	2	163	2
Total	<u>\$ 27,596</u>	<u>\$ 267</u>	<u>\$ 26,538</u>	<u>\$ 336</u>

There were no troubled debt restructurings (“TDR”) during the three months ended March 31, 2015 . The following is an analysis of loans classified as TDR during the three months ended March 31, 2014 :

	Three months ended March 31, 2014		
	Number of TDR Modifications	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
<i>(dollars in thousands)</i>			
Commercial business:			
Secured	2	\$ 546	\$ 546
Real estate:			
One-to-four family residential	2	494	494
Commercial and multifamily residential:			
Income property	1	143	126
Total	5	\$ 1,183	\$ 1,166

The Company’s loans classified as TDR are loans that have been modified or the borrower has been granted special concessions due to financial difficulties that, if not for the challenges of the borrower, the Company would not otherwise consider. The TDR modifications or concessions are made to increase the likelihood that these borrowers with financial difficulties will be able to satisfy their debt obligations as amended. The concessions granted in the restructurings completed in the three month period ending March 31, 2014 largely consisted of maturity extensions, interest rate modifications or a combination of both. In limited circumstances, a reduction in the principal balance of the loan could also be made as a concession. Credit losses for loans classified as TDR are measured on the same basis as impaired loans. For impaired loans, an allowance is established when the collateral value less selling costs (or discounted cash flows or observable market price) of the impaired loan is lower than the recorded investment of that loan.

The Company had no commitments to lend additional funds on loans classified as TDR as of March 31, 2015 and December 31, 2014 . The Company did not have any loans modified as TDR that defaulted within twelve months of being modified as TDR during the three month periods ended March 31, 2015 and 2014 .

Purchased Credit Impaired Loans (“PCI Loans”)

PCI loans are accounted for under ASC 310-30 and initially measured at fair value based on expected future cash flows over the life of the loans. Loans that have common risk characteristics are aggregated into pools. The Company remeasures contractual and expected cash flows, at the pool-level, on a quarterly basis.

Contractual cash flows are calculated based upon the loan pool terms after applying a prepayment factor. Calculation of the applied prepayment factor for contractual cash flows is the same as described below for expected cash flows.

Inputs to the determination of expected cash flows include cumulative default and prepayment data as well as loss severity and recovery lag information. Cumulative default and prepayment data are calculated via a transition matrix. The transition matrix is a matrix of probability values that specifies the probability of a loan pool transitioning into a particular delinquency state (e.g. 0-30 days past due, 31 to 60 days, etc.) given its delinquency state at the remeasurement date. Loss severity factors are based upon either actual charge-off data within the loan pools or industry averages and recovery lags are based upon the collateral within the loan pools.

The excess of cash flows expected to be collected over the initial fair value of purchased credit impaired loans is referred to as the accretable yield and is accreted into interest income over the estimated life of the acquired loans using the effective yield method. Other adjustments to the accretable yield include changes in the estimated remaining life of the acquired loans, changes in expected cash flows and changes of indices for acquired loans with variable interest rates.

The following is an analysis of our PCI loans, net of related allowance for losses and remaining valuation discounts as of March 31, 2015 and December 31, 2014 :

	March 31, 2015	December 31, 2014
	<i>(in thousands)</i>	
Commercial business	\$ 52,115	\$ 50,334
Real estate:		
One-to-four family residential	31,127	31,981
Commercial and multifamily residential	127,952	140,398
Total real estate	159,079	172,379
Real estate construction:		
One-to-four family residential	4,026	4,353
Commercial and multifamily residential	2,501	2,588
Total real estate construction	6,527	6,941
Consumer	25,390	26,814
Subtotal of PCI loans	243,111	256,468
Less:		
Valuation discount resulting from acquisition accounting	23,272	25,884
Allowance for loan losses	16,531	16,336
PCI loans, net of allowance for loan losses	\$ 203,308	\$ 214,248

The following table shows the changes in accretable yield for PCI loans for the three months ended March 31, 2015 and 2014 :

	Three Months Ended March 31,	
	2015	2014
	<i>(in thousands)</i>	
Balance at beginning of period	\$ 73,849	\$ 103,907
Accretion	(6,319)	(10,569)
Disposals	(1,093)	(2,826)
Reclassifications from nonaccretable difference	2,289	11,031
Balance at end of period	\$ 68,726	\$ 101,543

6. Allowance for Loan and Lease Losses and Unfunded Commitments and Letters of Credit

Loans, excluding PCI loans

We maintain an allowance for loan and lease losses (“ALLL”) to absorb losses inherent in the loan portfolio. The size of the ALLL is determined through quarterly assessments of the probable estimated losses in the loan portfolio. Our methodology for making such assessments and determining the adequacy of the ALLL includes the following key elements:

1. General valuation allowance consistent with the Contingencies topic of the FASB ASC.
2. Classified loss reserves on specific relationships. Specific allowances for identified problem loans are determined in accordance with the Receivables topic of the FASB ASC.
3. The unallocated allowance provides for other factors inherent in our loan portfolio that may not have been contemplated in the general and specific components of the allowance. This unallocated amount generally comprises less than 5% of the allowance. The unallocated amount is reviewed quarterly based on trends in credit losses, the results of credit reviews and overall economic trends.

The general valuation allowance is calculated quarterly using quantitative and qualitative information about specific loan classes. The minimum required level with respect to which an entity develops a methodology to determine its ALLL is by general categories of loans, such as commercial business, real estate, and consumer. However, the Company’s methodology in determining its ALLL is prepared in a more detailed manner at the loan class level, utilizing specific categories such as commercial business secured, commercial business unsecured, real estate commercial land, and real estate income property multifamily. The quantitative information uses historical losses from a specific loan class and incorporates the loan’s risk rating migration from origination to the point of loss based upon the consideration of an appropriate look back period.

A loan's risk rating is primarily determined based upon the borrower's ability to fulfill its debt obligation from a cash flow perspective. In the event there is financial deterioration of the borrower, the borrower's other sources of income or repayment are also considered, including recent appraisal values for collateral dependent loans. The qualitative information takes into account general economic and business conditions affecting our marketplace, seasoning of the loan portfolio, duration of the business cycle, etc. to ensure our methodologies reflect the current economic environment and other factors as using historical loss information exclusively may not give an accurate estimate of inherent losses within the Company's loan portfolio.

When a loan is deemed to be impaired, the Company has to determine if a specific valuation allowance is required for that loan. The specific valuation allowance is a reserve, calculated at the individual loan level, for each loan determined to be both, impaired and containing a value less than its recorded investment. The Company measures the impairment based on the discounted expected future cash flows, observable market price, or the fair value of the collateral less selling costs if the loan is collateral dependent or if foreclosure is probable. The specific reserve for each loan is equal to the difference between the recorded investment in the loan and its determined impairment value.

The ALLL is increased by provisions for loan and lease losses ("provision") charged to expense, and is reduced by loans charged off, net of recoveries or a recovery of previous provisions. While the Company's management believes the best information available is used to determine the ALLL, changes in market conditions could result in adjustments to the ALLL, affecting net income, if circumstances differ from the assumptions used in determining the ALLL.

We have used the same methodology for ALLL calculations during the three months ended March 31, 2015 and 2014. Adjustments to the percentages of the ALLL allocated to loan categories are made based on trends with respect to delinquencies and problem loans within each class of loans. The Company reviews the ALLL quantitative and qualitative methodology on a quarterly basis and makes adjustments when appropriate. The Company continues to strive towards maintaining a conservative approach to credit quality and will continue to make revisions to our ALLL as necessary to maintain adequate reserves. The Company carefully monitors the loan portfolio and continues to emphasize the importance of credit quality.

Once it is determined that all or a portion of a loan balance is uncollectable, and the amount can be reasonably estimated, the uncollectable portion of the loan is charged-off.

PCI Loans

Purchased credit impaired loans that have common risk characteristics are aggregated into loan pools. When required, we record impairment, at the pool-level, to adjust the pool's carrying value to its net present value of expected future cash flows. Quarterly, we re-measure expected loan pool cash flows. If, due to credit deterioration, the present value of expected cash flows is less than carrying value, we reduce the loan pool's carrying value by adjusting the ALLL with an impairment charge to earnings which is recorded as provision for loan losses. If credit quality improves and the present value of expected cash flows exceeds carrying value, we increase the loan pool's carrying value by recapturing previously recorded ALLL, if any. See Note 5, Loans, for further discussion of the accounting for PCI loans.

Credit losses attributable to draws on purchased credit impaired loans, advanced subsequent to the loan purchase date, are accounted for under ASC 450-20 and those amounts are also subject to the Company's internal and external credit review. An ALLL is estimated in a similar manner as loans, excluding PCI loans, and a provision for loan losses is charged to earnings as necessary.

The following tables show a detailed analysis of the ALLL for the three months ended March 31, 2015 and 2014 :

	<u>Beginning Balance</u>	<u>Charge-offs</u>	<u>Recoveries</u>	<u>Provision (Recovery)</u>	<u>Ending Balance</u>	<u>Specific Reserve</u>	<u>General Allocation</u>
Three months ended March 31, 2015							
<i>(in thousands)</i>							
Commercial business:							
Secured	\$ 25,923	\$ (1,386)	\$ 512	\$ 712	\$ 25,761	\$ 24	\$ 25,737
Unsecured	927	(40)	106	19	1,012	—	1,012
Real estate:							
One-to-four family residential	2,281	(8)	12	(921)	1,364	115	1,249
Commercial & multifamily residential:							
Commercial land	799	—	—	28	827	—	827
Income property	9,159	—	3,252	(3,971)	8,440	—	8,440
Owner occupied	5,007	—	9	596	5,612	24	5,588
Real estate construction:							
One-to-four family residential:							
Land and acquisition	1,197	—	2	(173)	1,026	67	959
Residential construction	1,860	—	26	(96)	1,790	—	1,790
Commercial & multifamily residential:							
Income property	622	—	3	202	827	—	827
Owner occupied	434	—	—	65	499	—	499
Consumer	3,180	(891)	273	273	2,835	—	2,835
Purchased credit impaired	16,336	(4,100)	1,686	2,609	16,531	—	16,531
Unallocated	1,844	—	—	1,866	3,710	—	3,710
Total	<u>\$ 69,569</u>	<u>\$ (6,425)</u>	<u>\$ 5,881</u>	<u>\$ 1,209</u>	<u>\$ 70,234</u>	<u>\$ 230</u>	<u>\$ 70,004</u>
	<u>Beginning Balance</u>	<u>Charge-offs</u>	<u>Recoveries</u>	<u>Provision (Recovery)</u>	<u>Ending Balance</u>	<u>Specific Reserve</u>	<u>General Allocation</u>
Three months ended March 31, 2014							
<i>(in thousands)</i>							
Commercial business:							
Secured	\$ 31,027	\$ (198)	\$ 448	\$ (2,476)	\$ 28,801	\$ 1,521	\$ 27,280
Unsecured	696	(35)	42	43	746	27	719
Real estate:							
One-to-four family residential	1,252	(207)	28	121	1,194	133	1,061
Commercial & multifamily residential:							
Commercial land	489	—	17	73	579	—	579
Income property	9,234	—	13	860	10,107	—	10,107
Owner occupied	3,605	(1,023)	9	1,969	4,560	38	4,522
Real estate construction:							
One-to-four family residential:							
Land and acquisition	610	—	39	(69)	580	71	509
Residential construction	822	—	3	(129)	696	—	696
Commercial & multifamily residential:							
Income property	285	—	—	35	320	—	320
Owner occupied	58	—	—	96	154	—	154
Consumer	2,547	(727)	253	564	2,637	3	2,634
Purchased credit impaired	20,174	(4,273)	1,806	2,422	20,129	—	20,129
Unallocated	1,655	—	—	(1,587)	68	—	68
Total	<u>\$ 72,454</u>	<u>\$ (6,463)</u>	<u>\$ 2,658</u>	<u>\$ 1,922</u>	<u>\$ 70,571</u>	<u>\$ 1,793</u>	<u>\$ 68,778</u>

Changes in the allowance for unfunded commitments and letters of credit, a component of other liabilities in the consolidated balance sheet, are summarized as follows:

	Three Months Ended	
	March 31,	
	2015	2014
	<i>(in thousands)</i>	
Balance at beginning of period	\$ 2,655	\$ 2,505
Net changes in the allowance for unfunded commitments and letters of credit	—	(50)
Balance at end of period	<u>\$ 2,655</u>	<u>\$ 2,455</u>

Risk Elements

The extension of credit in the form of loans or other credit products to individuals and businesses is one of our principal business activities. Our policies and applicable laws and regulations require risk analysis as well as ongoing portfolio and credit management. We manage our credit risk through lending limit constraints, credit review, approval policies and extensive, ongoing internal monitoring. We also manage credit risk through diversification of the loan portfolio by type of loan, type of industry and type of borrower and by limiting the aggregation of debt to a single borrower.

Risk ratings are reviewed and updated whenever appropriate, with more periodic reviews as the risk and dollar value of loss on the loan increases. In the event full collection of principal and interest is not reasonably assured, the loan is appropriately downgraded and, if warranted, placed on nonaccrual status even though the loan may be current as to principal and interest payments. Additionally, we assess whether an impairment of a loan warrants specific reserves or a write-down of the loan.

Pass loans are generally considered to have sufficient sources of repayment in order to repay the loan in full in accordance with all terms and conditions. Special mention loans have potential weaknesses that, if left uncorrected, may result in deterioration of the repayment prospects for the asset or in the Company's credit position at some future date. Loans with a risk rating of Substandard or worse are reported as classified loans in our ALLL analysis. We review these loans to assess the ability of our borrowers to service all interest and principal obligations and, as a result, the risk rating may be adjusted accordingly. Substandard loans reflect loans where a loss is possible if loan weaknesses are not corrected. Doubtful loans have a high probability of loss, however, the amount of loss has not yet been determined. Loss loans are considered uncollectable and when identified, are charged off.

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The following is an analysis of the credit quality of our loan portfolio, excluding PCI loans, as of March 31, 2015 and December 31, 2014 :

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
March 31, 2015	<i>(in thousands)</i>					
Loans, excluding PCI loans:						
Commercial business:						
Secured	\$ 1,995,680	\$ 19,210	\$ 40,469	\$ —	\$ —	\$ 2,055,359
Unsecured	78,498	—	721	—	—	79,219
Real estate:						
One-to-four family residential	162,448	1,465	6,394	—	—	170,307
Commercial and multifamily residential:						
Commercial land	187,519	3,459	2,464	—	—	193,442
Income property	1,301,779	3,517	4,248	—	—	1,309,544
Owner occupied	828,244	1,757	16,186	—	—	846,187
Real estate construction:						
One-to-four family residential:						
Land and acquisition	16,180	166	452	—	—	16,798
Residential construction	103,257	680	1,708	—	—	105,645
Commercial and multifamily residential:						
Income property	62,958	—	—	—	—	62,958
Owner occupied	54,563	—	876	—	—	55,439
Consumer	331,413	—	4,745	—	—	336,158
Total	<u>\$ 5,122,539</u>	<u>\$ 30,254</u>	<u>\$ 78,263</u>	<u>\$ —</u>	<u>\$ —</u>	<u>5,231,056</u>
Less:						
Allowance for loan and lease losses						53,703
Loans, excluding PCI loans, net						<u>\$ 5,177,353</u>
December 31, 2014	Pass	Special Mention	Substandard	Doubtful	Loss	Total
	<i>(in thousands)</i>					
Loans, excluding PCI loans:						
Commercial business:						
Secured	\$ 1,963,210	\$ 15,790	\$ 54,628	\$ —	\$ —	\$ 2,033,628
Unsecured	79,534	—	559	—	—	80,093
Real estate:						
One-to-four family residential	163,914	55	7,795	—	—	171,764
Commercial and multifamily residential:						
Commercial land	183,701	4,217	1,861	—	—	189,779
Income property	1,287,729	5,885	8,385	—	—	1,301,999
Owner occupied	825,694	7,876	11,171	—	—	844,741
Real estate construction:						
One-to-four family residential:						
Land and acquisition	15,307	167	1,036	—	—	16,510
Residential construction	96,031	909	1,581	—	—	98,521
Commercial and multifamily residential:						
Income property	73,783	—	—	—	—	73,783
Owner occupied	58,055	—	889	—	—	58,944
Consumer	339,695	68	5,269	—	—	345,032
Total	<u>\$ 5,086,653</u>	<u>\$ 34,967</u>	<u>\$ 93,174</u>	<u>\$ —</u>	<u>\$ —</u>	<u>5,214,794</u>
Less:						
Allowance for loan and lease losses						53,233
Loans, excluding PCI loans, net						<u>\$ 5,161,561</u>

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The following is an analysis of the credit quality of our PCI loan portfolio as of March 31, 2015 and December 31, 2014 :

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
March 31, 2015	<i>(in thousands)</i>					
PCI loans:						
Commercial business:						
Secured	\$ 39,919	\$ 1,040	\$ 9,060	\$ —	\$ —	\$ 50,019
Unsecured	2,057	—	39	—	—	2,096
Real estate:						
One-to-four family residential	27,881	—	3,246	—	—	31,127
Commercial and multifamily residential:						
Commercial land	8,739	—	1,668	—	—	10,407
Income property	45,298	—	12,031	—	—	57,329
Owner occupied	56,004	336	3,876	—	—	60,216
Real estate construction:						
One-to-four family residential:						
Land and acquisition	1,452	—	894	—	—	2,346
Residential construction	732	—	948	—	—	1,680
Commercial and multifamily residential:						
Income property	1,359	—	224	—	—	1,583
Owner occupied	918	—	—	—	—	918
Consumer	23,431	—	1,959	—	—	25,390
Total	<u>\$ 207,790</u>	<u>\$ 1,376</u>	<u>\$ 33,945</u>	<u>\$ —</u>	<u>\$ —</u>	<u>243,111</u>
Less:						
Valuation discount resulting from acquisition accounting						23,272
Allowance for loan losses						16,531
PCI loans, net						<u>\$ 203,308</u>
December 31, 2014	<i>(in thousands)</i>					
PCI loans:						
Commercial business:						
Secured	\$ 37,927	\$ 937	\$ 9,223	\$ —	\$ —	\$ 48,087
Unsecured	2,156	—	91	—	—	2,247
Real estate:						
One-to-four family residential	28,822	—	3,159	—	—	31,981
Commercial and multifamily residential:						
Commercial land	9,104	—	6,240	—	—	15,344
Income property	51,435	1,892	7,186	—	—	60,513
Owner occupied	58,629	346	5,566	—	—	64,541
Real estate construction:						
One-to-four family residential:						
Land and acquisition	1,595	—	913	—	—	2,508
Residential construction	741	—	1,104	—	—	1,845
Commercial and multifamily residential:						
Income property	1,435	—	227	—	—	1,662
Owner occupied	926	—	—	—	—	926
Consumer	24,037	—	2,777	—	—	26,814
Total	<u>\$ 216,807</u>	<u>\$ 3,175</u>	<u>\$ 36,486</u>	<u>\$ —</u>	<u>\$ —</u>	<u>256,468</u>
Less:						
Valuation discount resulting from acquisition accounting						25,884
Allowance for loan losses						16,336

PCI loans, net	\$ 214,248
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7. Other Real Estate Owned (“OREO”)

The following tables set forth activity in OREO for the three months ended March 31, 2015 and 2014 :

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Balance, beginning of period	\$ 22,190	\$ 35,927
Transfers in	4,692	5,751
Valuation adjustments	(197)	(1,580)
Proceeds from sale of OREO property	(5,122)	(11,205)
Gain on sale of OREO, net	1,736	1,659
Balance, end of period	\$ 23,299	\$ 30,552

At March 31, 2015 , the carrying amount of foreclosed residential real estate properties held as a result of obtaining physical possession was \$2.1 million and the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process was \$2.7 million .

8. FDIC Loss-sharing Asset and Covered Assets

We are a party to eight loss-sharing agreements with the FDIC relating to four FDIC-assisted acquisitions. Such agreements cover a substantial portion of losses incurred on acquired covered loans and OREO. The loss-sharing agreements relate to the acquisitions of (1) Columbia River Bank in January 2010, (2) American Marine Bank in January 2010, (3) Summit Bank in May 2011, and (4) First Heritage Bank in May 2011. Under the terms of the loss-sharing agreements, the FDIC will absorb 80% of losses and share in 80% of loss recoveries up to specified amounts. With respect to loss-sharing agreements for two acquisitions completed in 2010, after those specified amounts, the FDIC will absorb 95% of losses and share in 95% of loss recoveries. The loss-sharing provisions of the agreements for commercial and single-family mortgage loans are in effect for five and ten years, respectively and the loss recovery provisions are in effect for eight and ten years, respectively. The loss-sharing provisions for the Columbia River Bank and American Marine Bank non-single family covered assets were effective through the end of the current quarter. Accordingly, further activity will be limited to recoveries through the first quarter of 2020 for assets covered by these loss-sharing agreements.

Ten years and forty-five days after the applicable acquisition dates, the Bank must pay to the FDIC a clawback in the event the losses from the acquisitions fail to reach stated levels. The amount of the clawback is determined by a formula specified in each individual loss-sharing agreement. As of March 31, 2015 , the net present value of the Bank’s estimated clawback liability was \$4.2 million , which was included in other liabilities on the consolidated balance sheets.

At March 31, 2015 , the FDIC loss-sharing asset was comprised of a \$10.6 million FDIC indemnification asset and a \$4.0 million FDIC receivable. The indemnification asset represents the cash flows the Company expects to collect from the FDIC under the loss-sharing agreements and the FDIC receivable represents amounts from the FDIC for which the Company has requested reimbursement but has not yet received reimbursement.

For PCI loans, the Company remeasures contractual and expected cash flows on a quarterly basis. When the quarterly remeasurement process results in a decrease in expected cash flows due to an increase in expected credit losses, impairment is recorded. As a result of this impairment, for loans covered by loss-share agreements with respect to which the loss-sharing provisions are still effective, the indemnification asset is increased to reflect anticipated future cash to be received from the FDIC. Consistent with the loss-sharing agreements between the Company and the FDIC, the amount of the increase to the indemnification asset is measured as 80% of the resulting impairment.

Alternatively, when the quarterly remeasurement results in an increase in expected future cash flows due to a decrease in expected credit losses, the nonaccretible difference decreases and the effective yield of the related loan portfolio is increased. As a result of the improved expected cash flows, for loans covered by loss-share agreements with respect to which the loss-sharing provisions are still effective, the indemnification asset would be reduced first by the amount of any impairment previously recorded and, second, by increased amortization over the remaining life of the related loss-sharing agreement.

The following table shows a detailed analysis of the FDIC loss-sharing asset for the three months ended March 31, 2015 and 2014 :

	Three Months Ended March 31,	
	2015	2014
	<i>(in thousands)</i>	
Balance at beginning of period	\$ 15,174	\$ 39,846
Adjustments not reflected in income:		
Cash payments to (from) the FDIC	(659)	1,678
FDIC reimbursable losses (recoveries), net	(21)	132
Adjustments reflected in income:		
Amortization, net	(2,294)	(6,452)
Loan impairment	1,532	1,938
Sale of other real estate	(420)	(756)
Write-downs of other real estate	1,071	516
Other	261	(65)
Balance at end of period	<u>\$ 14,644</u>	<u>\$ 36,837</u>

The following table presents information about the composition of the FDIC loss-sharing asset, the clawback liability, and the non-single family and the single family covered assets as of the date indicated:

	March 31, 2015				
	Columbia River Bank	American Marine Bank	Summit Bank	First Heritage Bank	Total
	<i>(in thousands)</i>				
FDIC loss-sharing asset	\$ 2,124	\$ 4,824	\$ 4,162	\$ 3,534	\$ 14,644
Clawback liability	\$ 4,063	\$ 136	\$ —	\$ —	\$ 4,199
Non-single family covered assets	\$ 107,135	\$ 16,914	\$ 13,856	\$ 22,763	\$ 160,668
Single family covered assets	\$ 9,994	\$ 26,391	\$ 6,322	\$ 2,479	\$ 45,186

Loss-sharing expiration dates:

Non-single family	First Quarter 2015	First Quarter 2015	Second Quarter 2016	Second Quarter 2016
Single family	First Quarter 2020	First Quarter 2020	Second Quarter 2021	Second Quarter 2021

Loss recovery expiration dates:

Non-single family	First Quarter 2018	First Quarter 2018	Second Quarter 2019	Second Quarter 2019
Single family	First Quarter 2020	First Quarter 2020	Second Quarter 2021	Second Quarter 2021

9. Goodwill and Other Intangible Assets

In accordance with the Intangibles – Goodwill and Other topic of the FASB ASC, goodwill is not amortized but is reviewed for potential impairment at the reporting unit level. Management analyzes its goodwill for impairment on an annual basis on July 31 and between annual tests in certain circumstances such as material adverse changes in legal, business, regulatory and economic factors. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value.

The core deposit intangible (“CDI”) is evaluated for impairment if events and circumstances indicate a possible impairment. The CDI is amortized on an accelerated basis over an estimated life of 10 years .

The following table sets forth activity for goodwill and other intangible assets for the periods indicated:

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Goodwill		
Total goodwill (1)	\$ 382,537	\$ 343,952
Other intangible assets, net		
Core deposit intangible:		
Gross core deposit intangible balance at beginning of period (1)	58,598	47,698
Accumulated amortization at beginning of period	(29,058)	(22,765)
Core deposit intangible, net at beginning of period	29,540	24,933
CDI current period amortization	(1,817)	(1,579)
Total core deposit intangible, net at end of period	27,723	23,354
Intangible assets not subject to amortization	919	919
Other intangible assets, net at end of period	28,642	24,273
Total goodwill and other intangible assets at end of period	\$ 411,179	\$ 368,225

(1) See Note 3, Business Combinations, for additional information regarding goodwill and intangible assets recorded related to the acquisition of Intermountain on November 1, 2014.

The following table provides the estimated future amortization expense of core deposit intangibles for the remaining nine months ending December 31, 2015 and the succeeding four years:

	Amount
	<i>(in thousands)</i>
Year ending December 31,	
2015	\$ 5,065
2016	5,945
2017	4,913
2018	3,855
2019	2,951

10. Derivatives and Balance Sheet Offsetting

The Company periodically enters into certain commercial loan interest rate swap agreements in order to provide commercial loan customers the ability to convert from variable to fixed interest rates. Under these agreements, the Company enters into a variable-rate loan agreement with a customer in addition to a swap agreement. This swap agreement effectively converts the customer's variable rate loan into a fixed rate. The Company then enters into a corresponding swap agreement with a third-party in order to offset its exposure on the variable and fixed components of the customer agreement. As the interest rate swap agreements with the customers and third parties are not designated as hedges under the Derivatives and Hedging topic of the FASB ASC, the instruments are marked to market in earnings. The notional amount of open interest rate swap agreements at March 31, 2015 and December 31, 2014 was \$222.9 million and \$215.6 million, respectively. During the current quarter, a mark-to-market loss of \$5 thousand was recorded to other noninterest expense. There was no earnings impact for the three month period ending March 31, 2014.

The following table presents the fair value of derivatives not designated as hedging instruments at March 31, 2015 and December 31, 2014:

Asset Derivatives				Liability Derivatives			
March 31, 2015		December 31, 2014		March 31, 2015		December 31, 2014	
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
<i>(in thousands)</i>							
Interest rate contracts	Other assets \$ 14,244	Other assets	\$ 11,800	Other liabilities	\$ 14,300	Other liabilities	\$ 11,851

The Company is party to interest rate contracts and repurchase agreements that are subject to enforceable master netting arrangements or similar agreements. Under these agreements, the Company may have the right to net settle multiple contracts with the same counterparty. The following tables show the gross interest rate swap agreements and repurchase agreements in the consolidated balance sheets and the respective collateral received or pledged in the form of other financial instruments, which are generally marketable securities. The collateral amounts in these tables are limited to the outstanding balances of the related asset or liability. Therefore, instances of overcollateralization are not shown.

	Gross Amounts of Recognized Assets/Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets/Liabilities Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets	
				Collateral Posted	Net Amount
March 31, 2015			(in thousands)		
Assets					
Interest rate contracts	\$ 14,244	\$ —	\$ 14,244	\$ —	\$ 14,244
Liabilities					
Interest rate contracts	\$ 14,300	\$ —	\$ 14,300	\$ (14,300)	\$ —
Repurchase agreements	\$ 96,852	\$ —	\$ 96,852	\$ (96,852)	\$ —
December 31, 2014					
Assets					
Interest rate contracts	\$ 11,800	\$ —	\$ 11,800	\$ —	\$ 11,800
Liabilities					
Interest rate contracts	\$ 11,851	\$ —	\$ 11,851	\$ (11,851)	\$ —
Repurchase agreements	\$ 105,080	\$ —	\$ 105,080	\$ (105,080)	\$ —

11. Shareholders' Equity

Preferred Stock. In conjunction with the 2013 acquisition of West Coast, the Company issued 8,782 shares of mandatorily convertible cumulative participating preferred stock, Series B ("Series B Preferred Stock"). The Series B Preferred Stock is not subject to the operation of a sinking fund. The Series B Preferred Stock is not redeemable by the Company and is perpetual with no maturity. The holders of Series B Preferred Stock have no general voting rights. If the Company declares and pays a dividend to its common shareholders, it must declare and pay to its holders of Series B Preferred Stock, on the same date, a dividend in an amount per share of the Series B Preferred Stock that is intended to provide such holders dividends in the amount they would have received if shares of Series B Preferred Stock had been converted into common stock as of that date. The outstanding shares of Series B Preferred Stock are convertible into 102,363 shares of Company common stock.

Dividends. On January 29, 2015, the Company declared a quarterly cash dividend of \$0.16 per common share and common share equivalent for holders of preferred stock, and a special cash dividend of \$0.14 per common share and common share equivalent for holders of preferred stock, both payable on February 25, 2015 to shareholders of record at the close of business on February 11, 2015.

Subsequent to quarter end, on April 22, 2015, the Company declared a regular quarterly cash dividend of \$0.18 per common share and common share equivalent for holders of preferred stock, and a special cash dividend of \$0.16 per common share and common share equivalent for holders of preferred stock, both payable on May 20, 2015 to shareholders of record at the close of business on May 6, 2015.

The payment of cash dividends is subject to federal regulatory requirements for capital levels and other restrictions. In addition, the cash dividends paid by Columbia Bank to the Company are subject to both federal and state regulatory requirements.

12. Accumulated Other Comprehensive Income (Loss)

The following table shows changes in accumulated other comprehensive income (loss) by component for the three month periods ended March 31, 2015 and 2014:

	Unrealized Gains and Losses on Available-for- Sale Securities (1)	Unrealized Gains and Losses on Pension Plan Liability (1)	Total (1)
Three months ended March 31, 2015			
Beginning balance	\$ 7,462	\$ (1,841)	\$ 5,621
Other comprehensive income (loss) before reclassifications	9,376	(280)	9,096
Amounts reclassified from accumulated other comprehensive income (loss) (2)	(459)	28	(431)
Net current-period other comprehensive income (loss)	8,917	(252)	8,665
Ending balance	<u>\$ 16,379</u>	<u>\$ (2,093)</u>	<u>\$ 14,286</u>
Three months ended March 31, 2014			
Beginning balance	\$ (10,108)	\$ (1,936)	\$ (12,044)
Other comprehensive income before reclassifications	7,119	—	7,119
Amounts reclassified from accumulated other comprehensive income (2)	(142)	24	(118)
Net current-period other comprehensive income	6,977	24	7,001
Ending balance	<u>\$ (3,131)</u>	<u>\$ (1,912)</u>	<u>\$ (5,043)</u>

(1) All amounts are net of tax. Amounts in parenthesis indicate debits.

(2) See following table for details about these reclassifications.

The following table shows details regarding the reclassifications from accumulated other comprehensive income (loss) for the three month periods ended March 31, 2015 and 2014 :

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)		Affected line Item in the Consolidated Statement of Income
	Three Months Ended March 31,		
	2015	2014	
	(in thousands)		
Unrealized gains and losses on available-for-sale securities			
Investment securities gains	\$ 721	\$ 223	Investment securities gains, net
	721	223	Total before tax
	(262)	(81)	Income tax provision
	<u>\$ 459</u>	<u>\$ 142</u>	Net of tax
Amortization of pension plan liability			
Actuarial losses	\$ (44)	\$ (37)	Compensation and employee benefits
	(44)	(37)	Total before tax
	16	13	Income tax benefit
	<u>\$ (28)</u>	<u>\$ (24)</u>	Net of tax

13. Fair Value Accounting and Measurement

The Fair Value Measurements and Disclosures topic of the FASB ASC defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value. We hold fixed and variable rate interest-bearing securities, investments in marketable equity securities and certain other financial instruments, which are carried at fair value. Fair value is determined based upon quoted prices when available or through the use of alternative approaches, such as matrix or model pricing, when market quotes are not readily accessible or available.

The valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our own market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets that are accessible at the measurement date.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

Fair values are determined as follows:

Securities at fair value are priced using a combination of market activity, industry recognized information sources, yield curves, discounted cash flow models and other factors. These fair value calculations are considered a Level 2 input method under the provisions of the Fair Value Measurements and Disclosures topic of the FASB ASC for all securities other than U.S. Treasury notes, which are considered a Level 1 input method.

Interest rate contract positions are valued in models, which use as their basis, readily observable market parameters and are classified within Level 2 of the valuation hierarchy.

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The following table sets forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis at March 31, 2015 and December 31, 2014 by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

March 31, 2015	Fair value	Fair Value Measurements at Reporting Date Using			
		Level 1	Level 2	Level 3	
		(in thousands)			
Assets					
Securities available for sale:					
U.S. government agency and government-sponsored enterprise mortgage-back securities and collateralized mortgage obligations	\$ 1,102,700	\$ —	\$ 1,102,700	\$ —	
State and municipal debt securities	501,671	—	501,671	—	
U.S. government agency and government-sponsored enterprise securities	376,798	—	376,798	—	
U.S. government securities	20,778	20,778	—	—	
Other securities	5,212	—	5,212	—	
Total securities available for sale	\$ 2,007,159	\$ 20,778	\$ 1,986,381	\$ —	
Other assets (Interest rate contracts)	\$ 14,244	\$ —	\$ 14,244	\$ —	
Liabilities					
Other liabilities (Interest rate contracts)	\$ 14,300	\$ —	\$ 14,300	\$ —	

		Fair Value Measurements at Reporting Date Using			
	Fair value	Level 1	Level 2	Level 3	
December 31, 2014		(in thousands)			
Assets					
Securities available for sale:					
U.S. government agency and government-sponsored enterprise mortgage-back securities and collateralized mortgage obligations	\$ 1,162,387	\$ —	\$ 1,162,387	\$ —	
State and municipal debt securities	496,484	—	496,484	—	
U.S. government agency and government-sponsored enterprise securities	413,706	—	413,706	—	
U.S. government securities	20,499	20,499	—	—	
Other securities	5,181	—	5,181	—	
Total securities available for sale	\$ 2,098,257	\$ 20,499	\$ 2,077,758	\$ —	
Other assets (Interest rate contracts)	\$ 11,800	\$ —	\$ 11,800	\$ —	
Liabilities					
Other liabilities (Interest rate contracts)	\$ 11,851	\$ —	\$ 11,851	\$ —	

There were no transfers between Level 1 and Level 2 of the valuation hierarchy during the three month periods ended March 31, 2015 and 2014. The Company recognizes transfers between levels of the valuation hierarchy based on the valuation level at the end of the reporting period.

Nonrecurring Measurements

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition such as loans measured for impairment and OREO. The following methods were used to estimate the fair value of each such class of financial instrument:

Impaired loans —A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due (both interest and principal) according to the contractual terms of the loan agreement. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, a loan's observable market price, or the fair market value of the collateral less estimated costs to sell if the loan is a collateral-dependent loan. Generally, the Company utilizes the fair market value of the collateral to measure impairment. The impairment evaluations are performed in conjunction with the ALLL process on a quarterly basis by officers in the Special Credits group, which reports to the Chief Credit Officer. The Real Estate Appraisal Services Department ("REASD"), which also reports to the Chief Credit Officer, is responsible for obtaining appraisals from third-parties or performing internal evaluations. If an appraisal is obtained from a third-party, the REASD reviews the appraisal to evaluate the adequacy of the appraisal report, including its scope, methods, accuracy, and reasonableness.

Other real estate owned —OREO is real property that the Bank has taken ownership of in partial or full satisfaction of a loan or loans. OREO is generally measured based on the property's fair market value as indicated by an appraisal or a letter of intent to purchase. OREO is initially recorded at the fair value less estimated costs to sell. This amount becomes the property's new basis. Any fair value adjustments based on the property's fair value less estimated costs to sell at the date of acquisition are charged to the ALLL, or in the event of a write-up without previous losses charged to the ALLL, a credit to earnings is recorded. Management periodically reviews OREO in an effort to ensure the property is recorded at its fair value, net of estimated costs to sell. Any fair value adjustments subsequent to acquisition are charged or credited to earnings. The initial and subsequent evaluations are performed by officers in the Special Credits group, which reports to the Chief Credit Officer. The REASD obtains appraisals from third-parties for OREO and performs internal evaluations. If an appraisal is obtained from a third-party, the REASD reviews the appraisal to evaluate the adequacy of the appraisal report, including its scope, methods, accuracy, and reasonableness.

The following tables set forth information related to the Company's assets that were measured using fair value estimates on a nonrecurring basis during the current and prior year quarterly periods:

	Fair value at March 31, 2015	Fair Value Measurements at Reporting Date Using			Losses During the Three Months Ended March 31, 2015
		Level 1	Level 2	Level 3	
		(in thousands)			
OREO	\$ 1,429	\$ —	\$ —	\$ 1,429	\$ 197
	\$ 1,429	\$ —	\$ —	\$ 1,429	\$ 197
	Fair value at March 31, 2014	Fair Value Measurements at Reporting Date Using			Losses During the Three Months Ended March 31, 2014
		Level 1	Level 2	Level 3	
		(in thousands)			
Impaired loans	\$ 2,094	\$ —	\$ —	\$ 2,094	\$ 1,387
OREO (1)	6,125	—	—	6,125	1,303
	\$ 8,219	\$ —	\$ —	\$ 8,219	\$ 2,690

(1) Reclassified to conform to the current period's presentation. The reclassification was limited to combining historically reported "Noncovered OREO" and "Covered OREO" into one line item for OREO.

The losses on impaired loans disclosed above represent the amount of the specific reserve and/or charge-offs during the period applicable to loans held at period end. The amount of the specific reserve is included in the allowance for loan and lease losses. The losses on OREO disclosed above represent the write-downs taken at foreclosure that were charged to the allowance for loan and lease losses, as well as subsequent changes in any valuation allowances from updated appraisals that were recorded to earnings.

Quantitative information about Level 3 fair value measurements

The range and weighted-average of the significant unobservable inputs used to fair value our Level 3 nonrecurring assets, along with the valuation techniques used, are shown in the following table:

	Fair value at March 31, 2015	Valuation Technique	Unobservable Input	Range (Weighted Average) (1)
<i>(dollars in thousands)</i>				
OREO	\$ 1,429	Fair Market Value of Collateral	Adjustment to Appraisal Value	N/A ⁽²⁾

(1) Discount applied to appraisal value, letter of intent to purchase, or stated value (in the case of accounts receivable, inventory and equipment).

(2) Quantitative disclosures are not provided for OREO because there were no adjustments made to the appraisal value during the current period.

	Fair value at March 31, 2014	Valuation Technique	Unobservable Input	Range (Weighted Average) (1)
<i>(dollars in thousands)</i>				
Impaired loans	\$ 990	Fair Market Value of Collateral	Adjustment to Appraisal Value	N/A ⁽²⁾
Impaired loans - other collateral ⁽³⁾	1,104	Fair Market Value of Collateral	Adjustment to Stated value	0% - 100% (68%)
OREO	6,125	Fair Market Value of Collateral	Adjustment to Appraisal Value	N/A ⁽²⁾

(1) Discount applied to appraisal value, letter of intent to purchase, or stated value (in the case of accounts receivable, inventory and equipment).

(2) Quantitative disclosures are not provided for impaired loans collateralized by real estate and OREO because there were no adjustments made to the appraisal value during the current period.

(3) Other collateral consists of accounts receivable, inventory and equipment.

Fair value of financial instruments

Because broadly traded markets do not exist for most of the Company's financial instruments, the fair value calculations attempt to incorporate the effect of current market conditions at a specific time. These determinations are subjective in nature, involve uncertainties and matters of significant judgment and do not include tax ramifications; therefore, the results cannot be determined with precision, substantiated by comparison to independent markets and may not be realized in an actual sale or immediate settlement of the instruments. There may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results. For all of these reasons, the aggregation of the fair value calculations presented herein do not represent, and should not be construed to represent, the underlying value of the Company.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and due from banks and interest-earning deposits with banks —The fair value of financial instruments that are short-term or reprice frequently and that have little or no risk are considered to have a fair value that approximates carrying value (Level 1).

Securities available for sale —Securities at fair value, other than U.S. Treasury Notes, are priced using a combination of market activity, industry recognized information sources, yield curves, discounted cash flow models and other factors (Level 2). U.S. Treasury Notes are priced using quotes in active markets (Level 1).

Federal Home Loan Bank stock —The fair value is based upon the par value of the stock which equates to its carrying value (Level 2).

Loans —Loans are not recorded at fair value on a recurring basis. Nonrecurring fair value adjustments are periodically recorded on impaired loans that are measured for impairment based on the fair value of collateral. For most performing loans, fair value is estimated using expected duration and lending rates that would have been offered on March 31, 2015 or December 31, 2014, for loans which mirror the attributes of the loans with similar rate structures and average maturities. The fair values resulting from these calculations are reduced by an amount representing the change in estimated fair value attributable to changes in borrowers' credit quality since the loans were originated. For nonperforming loans, fair value is estimated by applying a valuation discount based upon loan sales data from the FDIC. For PCI loans, fair value is estimated by discounting the expected future cash flows using a lending rate that would have been offered on March 31, 2015 (Level 3).

FDIC loss-sharing asset —The fair value of the FDIC loss-sharing asset is estimated based on discounting the expected future cash flows using an estimated market rate (Level 3).

Interest rate contracts —Interest rate swap positions are valued in models, which use readily observable market parameters as their basis (Level 2).

Deposits —For deposits with no contractual maturity, the fair value is equal to the carrying value (Level 1). The fair value of fixed maturity deposits is based on discounted cash flows using the difference between the deposit rate and current market rates for deposits of similar remaining maturities (Level 2).

FHLB advances —The fair value of FHLB advances is estimated based on discounting the future cash flows using the market rate currently offered (Level 2).

Repurchase Agreements —The fair value of term repurchase agreements is estimated based on discounting the future cash flows using the market rate currently offered. The carrying amount of sweep repurchase agreements approximates their fair values due to the short period of time between repricing dates (Level 2).

Other Borrowings — Other borrowings are trust preferred obligations assumed by the Company in the Intermountain acquisition. The fair value is estimated as the carrying value as these obligations are redeemable and a market participant would expect redemption in the near-term (Level 2).

Other Financial Instruments —The majority of our commitments to extend credit and standby letters of credit carry current market interest rates if converted to loans, as such, carrying value is assumed to equal fair value.

The following tables summarize carrying amounts and estimated fair values of selected financial instruments as well as assumptions used by the Company in estimating fair value at March 31, 2015 and December 31, 2014 :

March 31, 2015						
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	
(in thousands)						
Assets						
Cash and due from banks	\$ 177,026	\$ 177,026	\$ 177,026	\$ —	\$ —	
Interest-earning deposits with banks	71,575	71,575	71,575	—	—	
Securities available for sale	2,007,159	2,007,159	20,778	1,986,381	—	
FHLB stock	33,004	33,004	—	33,004	—	
Loans held for sale	3,545	3,545	—	3,545	—	
Loans	5,380,661	5,540,202	—	—	5,540,202	
FDIC loss-sharing asset	14,644	4,918	—	—	4,918	
Interest rate contracts	14,244	14,244	—	14,244	—	
Liabilities						
Deposits	\$ 7,074,965	\$ 7,069,844	\$ 6,577,549	\$ 492,295	\$ —	
FHLB Advances	36,559	37,413	—	37,413	—	
Repurchase agreements	96,852	97,868	—	97,868	—	
Interest rate contracts	14,300	14,300	—	14,300	—	
December 31, 2014						
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	
(in thousands)						
Assets						
Cash and due from banks	\$ 171,221	\$ 171,221	\$ 171,221	\$ —	\$ —	
Interest-earning deposits with banks	16,949	16,949	16,949	—	—	
Securities available for sale	2,098,257	2,098,257	20,499	2,077,758	—	
FHLB stock	33,365	33,365	—	33,365	—	
Loans held for sale	1,116	1,116	—	1,116	—	
Loans	5,375,809	5,516,286	—	—	5,516,286	
FDIC loss-sharing asset	15,174	4,054	—	—	4,054	
Interest rate contracts	11,800	11,800	—	11,800	—	
Liabilities						
Deposits	\$ 6,924,722	\$ 6,921,804	\$ 6,416,017	\$ 505,787	\$ —	
FHLB Advances	216,568	217,296	—	217,296	—	
Repurchase agreements	105,080	106,171	—	106,171	—	
Interest rate contracts	11,851	11,851	—	11,851	—	

14. Earnings per Common Share

The Company applies the two-class method of computing basic and diluted EPS. Under the two-class method, EPS is determined for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. The Company issues restricted shares under share-based compensation plans and preferred shares which qualify as participating securities.

The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31, 2015 and 2014 :

	Three Months Ended	
	March 31,	
	2015	2014
	<i>(in thousands except per share)</i>	
Basic EPS:		
Net income	\$ 24,361	\$ 19,844
Less: Earnings allocated to participating securities		
Preferred shares	43	40
Nonvested restricted shares	225	169
Earnings allocated to common shareholders	\$ 24,093	\$ 19,635
Weighted average common shares outstanding	56,965	51,097
Basic earnings per common share	\$ 0.42	\$ 0.38
Diluted EPS:		
Earnings allocated to common shareholders (1)	\$ 24,093	\$ 19,639
Weighted average common shares outstanding	56,965	51,097
Dilutive effect of equity awards	13	1,336
Weighted average diluted common shares outstanding	56,978	52,433
Diluted earnings per common share	\$ 0.42	\$ 0.37
Potentially dilutive share options that were not included in the computation of diluted EPS because to do so would be anti-dilutive	53	83

(1) Earnings allocated to common shareholders for basic and diluted EPS may differ under the two-class method as a result of adding common stock equivalents for options and warrants to dilutive shares outstanding, which alters the ratio used to allocate earnings to common shareholders and participating securities for the purposes of calculating diluted EPS.

15. Subsequent Event

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date.

On April 23, 2015 the Company filed an amendment to its amended and restated articles of incorporation (following shareholder approval on April 22, 2015) providing for an increase in the number of authorized common shares from 63,032,681 to 115,000,000 .

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjunction with the unaudited consolidated financial statements of Columbia Banking System, Inc. (referred to in this report as “we”, “our”, “Columbia” and “the Company”) and notes thereto presented elsewhere in this report and with the December 31, 2014 audited consolidated financial statements and its accompanying notes included in our Annual Report on Form 10-K. In the following discussion, unless otherwise noted, references to increases or decreases in average balances in items of income and expense for a particular period and balances at a particular date refer to the comparison with corresponding amounts for the period or date one year earlier.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions that are not historical facts, and statements identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “should,” “projects,” “seeks,” “estimates” or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. In addition to the factors set forth in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this report and the factors set forth in the section titled “Risk Factors” in the Company’s Form 10-K, the following factors, among others, could cause actual results to differ materially from the anticipated results expressed or implied by the forward-looking statements:

- local and national economic conditions could be less favorable than expected or could have a more direct and pronounced effect on us than expected and adversely affect our ability to continue internal growth and maintain the quality of our earning assets;
- the local housing/real estate markets where we operate and make loans could face challenges;
- the risks presented by the economy, which could adversely affect credit quality, collateral values, including real estate collateral, investment values, liquidity and loan originations and loan portfolio delinquency rates;
- the efficiencies and enhanced financial and operating performance we expect to realize from investments in personnel, acquisitions and infrastructure may not be realized;
- the ability to complete future acquisitions and to successfully integrate acquired entities (including Intermountain Community Bancorp (“Intermountain”) into Columbia;
- interest rate changes could significantly reduce net interest income and negatively affect funding sources;
- projected business increases following strategic expansion or opening of new branches could be lower than expected;
- changes in the scope and cost of Federal Deposit Insurance Corporation (“FDIC”) insurance and other coverages;
- the impact of acquired loans on our earnings;
- changes in accounting principles, policies, and guidelines applicable to bank holding companies and banking;
- changes in laws and regulations affecting our businesses, including changes in the enforcement and interpretation of such laws and regulations by applicable governmental and regulatory agencies;
- competition among financial institutions could increase significantly;
- continued consolidation in the Pacific Northwest financial services industry resulting in the creation of larger financial institutions that may have greater resources could change the competitive landscape;
- the goodwill we have recorded in connection with acquisitions could become impaired, which may have an adverse impact on our earnings and capital;
- the reputation of the financial services industry could deteriorate, which could adversely affect our ability to access markets for funding and to acquire and retain customers;
- our ability to identify and address cyber-security risks, including security breaches, “denial of service attacks,” “hacking” and identity theft;
- any material failure or interruption of our information and communications systems or inability to keep pace with technological changes;
- our ability to effectively manage credit risk, interest rate risk, market risk, operational risk, legal risk, liquidity risk and regulatory and compliance risk;
- the effect of geopolitical instability, including wars, conflicts and terrorist attacks;
- our profitability measures could be adversely affected if we are unable to effectively manage our capital; and
- the effects of any damage to our reputation resulting from developments related to any of the items identified above.

You should take into account that forward-looking statements speak only as of the date of this report. Given the described uncertainties and risks, we cannot guarantee our future performance or results of operations and you should not place undue reliance on these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required under federal securities laws.

CRITICAL ACCOUNTING POLICIES

Management has identified the accounting policies related to the ALLL, business combinations, PCI loans, FDIC loss-sharing asset and the valuation and recoverability of goodwill as critical to an understanding of our financial statements. These policies and related estimates are discussed in “Item 7. Management Discussion and Analysis of Financial Condition and Results of Operation” under the headings “Allowance for Loan and Lease Losses”, “Business Combinations”, “Purchased Credit Impaired Loans”, “FDIC Loss-Sharing Asset” and “Valuation and Recoverability of Goodwill” in our 2014 Annual Report on Form 10-K. There have not been any material changes in our critical accounting policies as compared to those disclosed in our 2014 Annual Report on Form 10-K.

RESULTS OF OPERATIONS

Our results of operations are dependent to a large degree on our net interest income. We also generate noninterest income through service charges and fees, merchant services fees, and bank owned life insurance. Our operating expenses consist primarily of compensation and employee benefits, occupancy, merchant card processing, data processing and legal and professional fees. Like most financial institutions, our interest income and cost of funds are affected significantly by general economic conditions, particularly changes in market interest rates, and by government policies and actions of regulatory authorities.

On November 1, 2014, the Company completed its acquisition of Intermountain. The Company acquired approximately \$964.4 million in assets, including \$502.6 million in loans measured at fair value, and approximately \$736.8 million in deposits. Due to the timing of this acquisition, our results of operations for the three month period ended March 31, 2015 include the acquisition for the entire period, however the prior year period does not include the acquisition. See Note 3 to the Consolidated Financial Statements in “Item 1. Financial Statements (unaudited)” of this report for further information regarding this acquisition.

Earnings Summary

The Company reported net income for the first quarter of \$24.4 million or \$0.42 per diluted common share, compared to \$19.8 million or \$0.37 per diluted common share for the first quarter of 2014 . The increase in net income for the current quarter compared to the prior year period was due to a combination of higher net interest income and noninterest income, partially offset by higher noninterest expense. These fluctuations were primarily due to the timing of the acquisition of Intermountain, as noted above.

Comparison of current quarter to prior year period

Revenue (net interest income plus noninterest income) for the three months ended March 31, 2015 was \$103.1 million , 17% more than the same period in 2014 . The increase in revenue was a result of higher net interest income due in part to both the acquired loans and securities from the acquisition of Intermountain as well as higher noninterest income due to a decrease in the expense recorded for the change in the FDIC loss-sharing asset. For a more complete discussion of these topics, please refer to the net interest income and noninterest income sections contained in the ensuing pages.

The provision for loan and lease losses for the first quarter of 2015 was \$1.2 million compared to a provision of \$1.9 million during the first quarter of 2014 . The provision recorded in the first quarter of 2015 was primarily due to the \$2.6 million provision recorded for the PCI loan portfolio, partially offset by a provision recapture of \$1.4 million related to loans, excluding PCI loans. For a more complete discussion of this topic, please refer to the provision for loan and lease losses section contained in the ensuing pages.

Total noninterest expense for the quarter ended March 31, 2015 was \$66.7 million , up from \$57.4 million for the first quarter of 2014 . The increase from the prior-year period was primarily due to additional ongoing noninterest expense stemming from the growth resulting from the Intermountain acquisition as well as higher acquisition-related expenses recorded during the first quarter of 2015. For a more complete discussion of this topic, please refer to the noninterest expense section contained in the ensuing pages.

Net income was positively affected by the pre-tax earnings impact of the FDIC acquired loan portfolios for the current period, but was negatively affected by the pre-tax earnings impact of the FDIC acquired loan portfolios during the prior year period. The negative effect of the FDIC acquired loan portfolios in the prior year period was primarily due to greater amortization of the FDIC loss-sharing asset recorded in the prior year period. With the recent expiration of our two largest FDIC loss-sharing agreements, the amortization of the FDIC loss-sharing asset has declined. The following table illustrates the impact to earnings associated with the Company's FDIC acquired loan portfolios for the periods indicated:

	Three Months Ended March 31,	
	2015	2014
	<i>(in thousands)</i>	
Incremental accretion income on FDIC purchased credit impaired loans	\$ 2,447	\$ 6,489
Incremental accretion income on other FDIC acquired loans	117	204
Recapture (provision) for losses on purchased credit impaired loans	(2,609)	(2,422)
Change in FDIC loss-sharing asset (1)	150	(4,819)
FDIC clawback liability recovery (expense)	(23)	(204)
Pre-tax earnings impact of FDIC acquired loan portfolios	<u>\$ 82</u>	<u>\$ (752)</u>

(1) For additional information on the FDIC loss-sharing asset, please see the "FDIC Loss-sharing Asset" section of this Management's Discussion and Analysis and Note 8 to the Consolidated Financial Statements in "Item 1. Financial Statements (unaudited)" of this report.

Net Interest Income

Net interest income for the first quarter of 2015 was \$80.4 million , an increase of 9% from \$73.9 million for the same quarter in 2014 . The increase in net interest income was due, in part, to the acquired loans and securities from the Intermountain transaction as well as organic growth in the loan portfolio, partially offset by lower incremental accretion income on acquired loans. For additional information on the Company's accounting policies related to recording interest income on loans, please refer to "Item 8. Financial Statements and Supplementary Data" in our 2014 Annual Report on Form 10-K.

The Company's net interest margin (tax equivalent) decreased to 4.39% in the first quarter of 2015 , from 4.85% for the same quarter last year. This decrease was due to lower incremental accretion income on acquired loan portfolios. The Company's operating net interest margin (tax equivalent) ⁽¹⁾ decreased slightly to 4.18% from 4.19% due to lower rates on securities.

The following table shows the impact to interest income of incremental accretion income as well as the net interest margin and operating net interest margin for the periods presented:

	Three Months Ended March 31,	
	2015	2014
	<i>(dollars in thousands)</i>	
Incremental accretion income due to:		
FDIC purchased credit impaired loans	\$ 2,447	\$ 6,489
Other FDIC acquired loans	117	204
Other acquired loans	4,934	5,615
Incremental accretion income	<u>\$ 7,498</u>	<u>\$ 12,308</u>
Net interest margin (tax equivalent)	4.39%	4.85%
Operating net interest margin (tax equivalent) ⁽¹⁾	4.18%	4.19%

(1) Operating net interest margin (tax equivalent) is a non-GAAP measurement. See Non-GAAP measures section of Item 2, Management's Discussion and Analysis.

The following tables set forth the average balances of all major categories of interest-earning assets and interest-bearing liabilities, the total dollar amounts of interest income on interest-earning assets and interest expense on interest-bearing liabilities, the average yield earned on interest-earning assets and average rate paid on interest-bearing liabilities by category and, in total, net interest income and net interest margin:

	Three Months Ended March 31,			Three Months Ended March 31,		
	2015			2014		
	Average Balances	Interest Earned / Paid	Average Rate	Average Balances	Interest Earned / Paid	Average Rate
<i>(dollars in thousands)</i>						
ASSETS						
Loans, net (1)(2)(3)	\$ 5,414,942	\$ 71,487	5.28%	\$ 4,537,107	\$ 65,898	5.81%
Taxable securities	1,609,323	7,526	1.87%	1,329,679	6,752	2.03%
Tax exempt securities (3)	459,483	4,680	4.07%	352,691	4,109	4.66%
Interest-earning deposits with banks	45,292	27	0.24%	25,215	14	0.23%
Total interest-earning assets	7,529,040	\$ 83,720	4.45%	6,244,692	\$ 76,773	4.92%
Other earning assets	146,055			126,924		
Noninterest-earning assets	830,681			772,143		
Total assets	<u>\$ 8,505,776</u>			<u>\$ 7,143,759</u>		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Certificates of deposit	\$ 502,287	\$ 240	0.19%	\$ 503,129	\$ 362	0.29%
Savings accounts	625,132	19	0.01%	513,911	13	0.01%
Interest-bearing demand	1,214,149	138	0.05%	1,168,708	109	0.04%
Money market accounts	1,815,923	351	0.08%	1,586,622	268	0.07%
Total interest-bearing deposits	4,157,491	748	0.07%	3,772,370	752	0.08%
Federal Home Loan Bank advances	129,841	159	0.49%	70,690	114	0.65%
Other borrowings	108,170	146	0.54%	25,000	119	1.90%
Total interest-bearing liabilities	4,395,502	\$ 1,053	0.10%	3,868,060	\$ 985	0.10%
Noninterest-bearing deposits	2,770,265			2,129,468		
Other noninterest-bearing liabilities	99,156			78,878		
Shareholders' equity	1,240,853			1,067,353		
Total liabilities & shareholders' equity	<u>\$ 8,505,776</u>			<u>\$ 7,143,759</u>		
Net interest income (tax equivalent)		<u>\$ 82,667</u>			<u>\$ 75,788</u>	
Net interest margin (tax equivalent)			<u>4.39%</u>			<u>4.85%</u>

- (1) Adjusted to conform to the current period presentation. The adjustment was limited to including amounts historically disclosed as "Covered loans" in "Loans, net".
- (2) Nonaccrual loans have been included in the tables as loans carrying a zero yield. Amortized net deferred loan fees and net unearned discounts on certain acquired loans were included in the interest income calculations. The amortization of net deferred loan fees was \$1.1 million and \$983 thousand for the three months ended March 31, 2015 and 2014, respectively. The incremental accretion income on acquired loans was \$7.5 million and \$12.3 million for the three months ended March 31, 2015 and 2014, respectively.
- (3) Tax-exempt income is calculated on a tax equivalent basis. The tax equivalent yield adjustment to interest earned on loans was \$665 thousand and \$357 thousand for the three months ended March 31, 2015 and 2014, respectively. The tax equivalent yield adjustment to interest earned on tax exempt securities was \$1.6 million and \$1.5 million for the three months ended March 31, 2015 and 2014, respectively.

The following table sets forth the total dollar amount of change in interest income and interest expense. The changes have been segregated for each major category of interest-earning assets and interest-bearing liabilities into amounts attributable to changes in volume and changes in rates. Changes attributable to the combined effect of volume and interest rates have been allocated proportionately to the changes due to volume and the changes due to interest rates:

	Three Months Ended March 31, 2015 Compared to 2014 Increase (Decrease) Due to		
	Volume	Rate	Total
	(in thousands)		
Interest Income			
Loans, net	\$ 11,961	\$ (6,372)	\$ 5,589
Taxable securities	1,338	(564)	774
Tax exempt securities	1,134	(563)	571
Interest earning deposits with banks	12	1	13
Interest income	<u>\$ 14,445</u>	<u>\$ (7,498)</u>	<u>\$ 6,947</u>
Interest Expense			
Deposits:			
Certificates of deposit	\$ (1)	\$ (121)	\$ (122)
Savings accounts	3	3	6
Interest-bearing demand	4	25	29
Money market accounts	42	41	83
Total interest on deposits	48	(52)	(4)
Federal Home Loan Bank advances	78	(33)	45
Other borrowings	35	(8)	27
Interest expense	<u>\$ 161</u>	<u>\$ (93)</u>	<u>\$ 68</u>

Provision for Loan and Lease Losses

During the first quarter of 2015, the Company recorded a \$1.2 million provision expense compared with a provision expense of \$1.9 million during the first quarter of 2014. The \$1.2 million net provision for loan and lease losses recorded during the current quarter was primarily driven by the PCI loan portfolio, for which Columbia recorded a provision of \$2.6 million, which was partially offset by a provision recapture of \$1.4 million related to loans, excluding PCI loans. The provision recorded relating to PCI loans was due to the decrease in the present value of expected future cash flows as remeasured during the current quarter, compared to the present value of expected future cash flows during the fourth quarter of 2014. The \$2.6 million provision related to PCI loans was partially offset by a \$1.5 million favorable adjustment to the change in FDIC loss-sharing asset. The provision recapture of \$1.4 million related to loans, excluding PCI loans was due to recovery activity during the current quarter and improvement in credit quality. The amount of provision recapture related to loans, excluding PCI loans, was calculated in accordance with the Company's methodology for determining the ALLL, discussed in Note 6 to the Consolidated Financial Statements in "Item 1. Financial Statements (unaudited)" of this report.

Noninterest Income

The following table presents the significant components of noninterest income and the related dollar and percentage change from period to period:

	Three Months Ended March 31,			
	2015	2014	\$ Change	% Change
	<i>(dollars in thousands)</i>			
Service charges and other fees	\$ 14,869	\$ 12,936	\$ 1,933	15 %
Merchant services fees	2,040	1,870	170	9 %
Bank owned life insurance	1,078	965	113	12 %
Other	3,909	2,833	1,076	38 %
Subtotal	21,896	18,604	3,292	18 %
Investment securities gains, net	721	223	498	223 %
Change in FDIC loss-sharing asset	150	(4,819)	4,969	(103)%
Total noninterest income	<u>\$ 22,767</u>	<u>\$ 14,008</u>	<u>\$ 8,759</u>	63 %

Noninterest income was \$22.8 million for the first quarter of 2015 , compared to \$14.0 million for the same period in 2014 . The increase was primarily due to the change in FDIC loss-sharing asset, which was a benefit of \$150 thousand in the current quarter, but was an expense of \$4.8 million for the same period in the prior year. Also contributing to the increase compared to the first quarter of 2014 was an increase in service charges and other fees of \$1.9 million resulting from the increased customer base from the acquisition of Intermountain and an increase in other noninterest income primarily due to gains on sales of loans recorded in the current quarter of \$923 thousand compared to \$492 thousand in the prior year period.

The change in FDIC loss-sharing asset has been a significant component of noninterest income. Changes in the asset are primarily driven by amortization of the asset, the provision recorded for reimbursable losses on covered loans and write-downs of covered other real estate owned (“OREO”). For the first quarter of 2015 , there was \$2.3 million of amortization of the asset, which was more than offset by increases in the asset of \$1.5 million related to the provision recorded for reimbursable losses on covered loans and \$1.1 million related to write-downs of OREO. The decline in amortization recorded in the current quarter was due to the recent expiration of our two most significant FDIC loss-sharing agreements. For the same period in 2014 , there was \$6.5 million of amortization of the asset, which was partially offset by increases in the asset of \$1.9 million related to the provision recorded for reimbursable losses on covered loans and \$516 thousand related to write-downs of OREO. For additional information on the FDIC loss-sharing asset, please see the “FDIC Loss-sharing Asset” section of this Management’s Discussion and Analysis and Note 8 to the Consolidated Financial Statements in “Item 1. Financial Statements (unaudited)” of this report.

Noninterest Expense

The following table presents the significant components of noninterest expense and the related dollar and percentage change from period to period:

	Three Months Ended March 31,			
	2015	2014 (1)	\$ Change	% Change
	<i>(dollars in thousands)</i>			
Compensation and employee benefits	\$ 39,100	\$ 31,338	\$ 7,762	25 %
All other noninterest expense:				
Occupancy	7,993	8,244	(251)	(3)%
Merchant processing	977	980	(3)	— %
Advertising and promotion	931	769	162	21 %
Data processing and communications	4,984	3,520	1,464	42 %
Legal and professional services	2,507	2,169	338	16 %
Taxes, license and fees	1,232	1,180	52	4 %
Regulatory premiums	1,221	1,176	45	4 %
Net cost (benefit) of operation of other real estate owned (1)	(1,246)	146	(1,392)	(953)%
Amortization of intangibles	1,817	1,580	237	15 %
Other	7,218	6,284	934	15 %
Total all other noninterest expense	27,634	26,048	1,586	6 %
Total noninterest expense	<u>\$ 66,734</u>	<u>\$ 57,386</u>	<u>\$ 9,348</u>	16 %

(1) Reclassified to conform to the current period's presentation. The reclassification was limited to removing the separate line item for "Net benefit of operation of covered other real estate owned" and including the prior period activity in the line item for net cost (benefit) of operation of other real estate owned.

The following table shows the impact of the acquisition-related expenses for the periods indicated to the various components of noninterest expense:

	Three Months Ended March 31,	
	2015	2014
	<i>(in thousands)</i>	
Acquisition-related expenses:		
Compensation and employee benefits	\$ 338	\$ 581
Occupancy	499	139
Advertising and promotion	96	—
Data processing and communications	1,558	—
Legal and professional fees	392	187
Other	91	59
Total impact of acquisition-related costs to noninterest expense (1)	<u>\$ 2,974</u>	<u>\$ 966</u>

(1) Of the \$3.0 million in acquisition-related expenses recorded during the three months ended March 31, 2015, \$2.9 million related to the recent acquisition of Intermountain and \$72 thousand related to the acquisition of West Coast Bancorp ("West Coast"). The acquisition-related expenses recorded during the three months ended March 31, 2014 related only to the acquisition of West Coast.

Total noninterest expense for the first quarter of 2015 was \$66.7 million , an increase of \$9.3 million from a year earlier. The increase from the prior year period was primarily due to additional ongoing noninterest expense stemming from the growth resulting from the Intermountain acquisition. Also contributing to the increase from the prior year period were acquisition-related expenses, which were \$3.0 million during the current quarter compared to \$966 thousand for the prior year period.

The following table presents selected items included in Other noninterest expense and the associated change from period to period:

	Three Months Ended March 31,		Increase (Decrease) Amount
	2015	2014	
	<i>(in thousands)</i>		
Postage	\$ 808	\$ 902	\$ (94)
Software support & maintenance	1,037	550	487
Supplies	317	380	(63)
Insurance	396	402	(6)
ATM Network	393	289	104
Travel	546	422	124
Employee expenses	279	299	(20)
Sponsorships and charitable contributions	432	602	(170)
Directors fees	239	169	70
Federal Reserve Bank processing fees	147	67	80
Investments in affordable housing projects expense	—	266	(266)
Investor relations	61	38	23
Other personal property owned	4	(124)	128
FDIC clawback expense	23	204	(181)
Miscellaneous	2,536	1,818	718
Total other noninterest expense	\$ 7,218	\$ 6,284	\$ 934

Other noninterest expense increased \$934 thousand due to additional ongoing noninterest expense stemming from the growth resulting from the Intermountain acquisition. Partially offsetting the increase was a decrease in the amount recorded to noninterest expense related to investments in affordable housing projects. As a result of the adoption of ASU 2014-01 Accounting for Investments in Qualified Affordable Housing Projects, the expense related to investments in affordable housing projects is now recorded to provision for income taxes in the consolidated statements of income. For additional information, see Note 1 to the Consolidated Financial Statements in “Item 8. Financial Statements and Supplementary Data” in our 2014 Annual Report on Form 10-K.

Income Taxes

For the three months ended March 31, 2015 and 2014 , we recorded an income tax provision of \$10.8 million and \$8.8 million , respectively, with an effective tax rate of 31% for both periods. Our effective tax rate remains lower than the statutory tax rate due to the amount of tax-exempt municipal securities held in the investment portfolio and tax-exempt earnings on bank owned life insurance. For additional information, please refer to the Company’s annual report on Form 10-K for the year ended December 31, 2014 .

FINANCIAL CONDITION

Total assets were \$8.55 billion as of March 31, 2015 , a decrease of \$25.9 million from \$8.58 billion at December 31, 2014 . The decrease was primarily due to a decrease in investment securities, partially offset by an increase in cash and cash equivalents.

Investment Securities

At March 31, 2015 , the Company held investment securities totaling \$2.01 billion compared to \$2.10 billion at December 31, 2014 . All of our securities are classified as available for sale and carried at fair value. The decrease in the investment securities portfolio from year-end is due to \$111.0 million in principal payments, maturities and sales and \$5.5 million in premium amortization, partially offset by \$11.4 million in purchases and a \$14.0 million increase in fair value of securities in the portfolio. The average duration of our investment portfolio was approximately 3 years and 8 months at March 31, 2015 . This duration takes into account calls, where appropriate, and consensus prepayment speeds.

The investment securities are used by the Company as a component of its balance sheet management strategies. From time-to-time, securities may be sold to reposition the portfolio in response to strategies developed by the Company's asset liability committee. In accordance with our investment strategy, management monitors market conditions with a view to realize gains on its available for sale securities portfolio when prudent.

The Company performs a quarterly assessment of the debt and equity securities in its investment portfolio that have an unrealized loss to determine whether the decline in the fair value of these securities below their amortized cost basis is other-than-temporary. Impairment is considered other-than-temporary when it becomes probable that the Company will be unable to recover the entire amortized cost basis of its investment. The Company's impairment assessment takes into consideration factors such as the length of time and the extent to which the market value has been less than cost, defaults or deferrals of scheduled interest or principal, external credit ratings and recent downgrades, internal assessment of credit quality, and whether the Company intends to sell the security and whether it is more likely than not it will be required to sell the security prior to recovery of its amortized cost basis. If a decline in fair value is judged to be other-than-temporary, the cost basis of the individual security is written down to fair value which then becomes the new cost basis. The new cost basis is not adjusted for subsequent recoveries in fair value.

When there are credit losses associated with an impaired debt security and the Company does not have the intent to sell the security and it is more likely than not that it will not have to sell the security before recovery of its cost basis, the Company will separate the amount of the impairment into the amount that is credit-related and the amount related to non-credit factors. The credit-related impairment is recognized in earnings and the non-credit-related impairment is recognized in accumulated other comprehensive income.

At March 31, 2015 , the market value of securities available for sale had a net unrealized gain of \$25.2 million compared to a net unrealized gain of \$11.2 million at December 31, 2014 . The change in valuation was the result of fluctuations in market interest rates subsequent to purchase. At March 31, 2015 , the Company had \$587.4 million of investment securities with gross unrealized losses of \$6.6 million ; however, we did not consider these investment securities to be other-than-temporarily impaired.

The following table sets forth our securities portfolio by type for the dates indicated:

	March 31, 2015	December 31, 2014
	(in thousands)	
Securities Available for Sale		
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	\$ 1,102,700	\$ 1,162,387
State and municipal securities	501,671	496,484
U.S. government and government-sponsored enterprise securities	376,798	413,706
U.S. government securities	20,778	20,499
Other securities	5,212	5,181
Total	\$ 2,007,159	\$ 2,098,257

For further information on our investment portfolio, see Note 4 of the Consolidated Financial Statements in "Item 1. Financial Statements (unaudited)" of this report.

Credit Risk Management

The extension of credit in the form of loans or other credit substitutes to individuals and businesses is one of our principal commerce activities. Our policies, applicable laws, and regulations require risk analysis as well as ongoing portfolio and credit management. We manage our credit risk through lending limit constraints, credit review, approval policies, and extensive, ongoing internal monitoring. We also manage credit risk through diversification of the loan portfolio by type of loan, type of industry and type of borrower and by limiting the aggregation of debt to a single borrower.

In analyzing our existing portfolio, we review our consumer and residential loan portfolios by their performance as a pool of loans, since no single loan is individually significant or judged by its risk rating, size or potential risk of loss. In contrast, the monitoring process for the commercial business, real estate construction, and commercial real estate portfolios includes periodic reviews of individual loans with risk ratings assigned to each loan and performance judged on a loan-by-loan basis.

We review these loans to assess the ability of our borrowers to service all interest and principal obligations and, as a result, the risk rating may be adjusted accordingly. In the event that full collection of principal and interest is not reasonably assured, the loan is appropriately downgraded and, if warranted, placed on nonaccrual status even though the loan may be current as to principal and interest payments. Additionally, we assess whether an impairment of a loan warrants specific reserves or a write-down of the loan. For additional discussion on our methodology in managing credit risk within our loan portfolio, see the following: “Allowance for Loan and Lease Losses” section in this Management’s Discussion and Analysis and Note 1 to the Consolidated Financial Statements in “Item 8. Financial Statements and Supplementary Data” of the Company’s 2014 Annual Report on Form 10-K.

Loan policies, credit quality criteria, portfolio guidelines and other controls are established under the guidance of our Chief Credit Officer and approved, as appropriate, by the board of directors. Credit Administration, together with the management loan committee, has the responsibility for administering the credit approval process. As another part of its control process, we use an internal credit review and examination function to provide reasonable assurance that loans and commitments are made and maintained as prescribed by our credit policies. This includes a review of documentation when the loan is initially extended and subsequent examination to ensure continued performance and proper risk assessment.

Loan Portfolio Analysis

Our wholly owned banking subsidiary Columbia State Bank (“Columbia Bank” or the “Bank”) is a full service commercial bank, which originates a wide variety of loans, and focuses its lending efforts on originating commercial business and commercial real estate loans.

The following table sets forth the Company’s loan portfolio by type of loan for the dates indicated:

	March 31, 2015	% of Total	December 31, 2014	% of Total
	<i>(dollars in thousands)</i>			
Commercial business	\$ 2,139,873	39.3 %	\$ 2,119,565	38.9 %
Real estate:				
One-to-four family residential	173,739	3.2 %	175,571	3.2 %
Commercial and multifamily residential	2,374,454	43.5 %	2,363,541	43.5 %
Total real estate	2,548,193	46.7 %	2,539,112	46.7 %
Real estate construction:				
One-to-four family residential	124,017	2.3 %	116,866	2.1 %
Commercial and multifamily residential	119,880	2.2 %	134,443	2.5 %
Total real estate construction	243,897	4.5 %	251,309	4.6 %
Consumer	352,960	6.5 %	364,182	6.7 %
Purchased credit impaired	219,839	4.0 %	230,584	4.2 %
Subtotal	5,504,762	101.0 %	5,504,752	101.1 %
Less: Net unearned income	(53,867)	(1.0)%	(59,374)	(1.1)%
Loans, net of unearned income (before Allowance for Loan and Lease Losses)	\$ 5,450,895	100.0 %	\$ 5,445,378	100.0 %
Loans held for sale	\$ 3,545		\$ 1,116	

Total loans increased \$5.5 million from year-end 2014 . The loan portfolio continues to be diversified, with the intent to mitigate risk by minimizing concentration in any one segment. The \$53.9 million in unearned income recorded at March 31, 2015 was comprised of \$45.4 million in discount on acquired loans and \$8.5 million in deferred loan fees. The \$59.4 million in unearned income recorded at December 31, 2014 consisted of \$50.8 million in discount on acquired loans and \$8.6 million in deferred loan fees.

The following table provides additional detail related to the net discount of acquired and purchased loans, excluding PCI loans, by acquisition:

	March 31, 2015	December 31, 2014
	<i>(dollars in thousands)</i>	
Acquisition:		
Intermountain	\$ 9,742	\$ 10,453
West Coast	36,010	40,623
Other (premium)	(336)	(303)
Total net discount at period end	45,416	50,773

Commercial Loans: We are committed to providing competitive commercial lending in our primary market areas. Management expects a continued focus within its commercial lending products and to emphasize, in particular, relationship banking with businesses, and business owners.

Real Estate Loans: One-to-four family residential loans are secured by properties located within our primary market areas and, typically, have loan-to-value ratios of 80% or lower at origination. Our underwriting standards for commercial and multifamily residential loans generally require that the loan-to-value ratio for these loans not exceed 75% of appraised value, cost, or discounted cash flow value, as appropriate, and that commercial properties maintain debt coverage ratios (net operating income divided by annual debt servicing) of 1.2 or better. However, underwriting standards can be influenced by competition and other factors. We endeavor to maintain the highest practical underwriting standards while balancing the need to remain competitive in our lending practices.

Real Estate Construction Loans: We originate a variety of real estate construction loans. Underwriting guidelines for these loans vary by loan type but include loan-to-value limits, term limits and loan advance limits, as applicable. Our underwriting guidelines for commercial and multifamily residential real estate construction loans generally require that the loan-to-value ratio not exceed 75% and stabilized debt coverage ratios (net operating income divided by annual debt servicing) of 1.2 or better. As noted above, underwriting standards can be influenced by competition and other factors. However, we endeavor to maintain the highest practical underwriting standards while balancing the need to remain competitive in our lending practices.

Consumer Loans: Consumer loans include automobile loans, boat and recreational vehicle financing, home equity and home improvement loans and miscellaneous personal loans.

Foreign Loans: The Company has no material foreign activities. Substantially all of the Company's loans and unfunded commitments are geographically concentrated in its service areas within the states of Washington, Oregon and Idaho.

Purchased Credit Impaired Loans: PCI loans are comprised of loans and loan commitments acquired in connection with the 2011 FDIC-assisted acquisitions of First Heritage Bank and Summit Bank, as well as the 2010 FDIC-assisted acquisitions of Columbia River Bank and American Marine Bank. PCI loans are generally accounted for under ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* ("ASC 310-30").

For additional information on our loan portfolio, including amounts pledged as collateral on borrowings, see Note 5 and Note 8 to the Consolidated Financial Statements in "Item 1. Financial Statements (unaudited)" of this report.

Nonperforming Assets

Nonperforming assets consist of: (i) nonaccrual loans, which generally are loans placed on a nonaccrual basis when the loan becomes past due 90 days or when there are otherwise serious doubts about the collectability of principal or interest within the existing terms of the loan, (ii) OREO; and (iii) other personal property owned, if applicable.

Nonaccrual loans : The Consolidated Financial Statements are prepared according to the accrual basis of accounting. This includes the recognition of interest income on the loan portfolio, unless a loan is placed on nonaccrual status, which occurs when there are serious doubts about the collectability of principal or interest. Our policy is generally to discontinue the accrual of interest on all loans past due 90 days or more and place them on nonaccrual status. Loans accounted for under ASC 310-30 are generally considered accruing and performing as the loans accrete interest income over the estimated lives of the loans when cash flows are reasonably estimable. Accordingly, PCI loans accounted for under ASC 310-30 that are contractually past due are still considered to be accruing and performing loans.

The following table set forth, at the dates indicated, information with respect to our nonaccrual loans and total nonperforming assets:

	March 31, 2015	December 31, 2014
	(in thousands)	
Nonperforming assets		
Nonaccrual loans:		
Commercial business	\$ 17,429	\$ 16,799
Real estate:		
One-to-four family residential	4,429	2,822
Commercial and multifamily residential	4,498	7,847
Total real estate	8,927	10,669
Real estate construction:		
One-to-four family residential	2,134	465
Commercial and multifamily residential	470	480
Total real estate construction	2,604	945
Consumer	2,868	2,939
Total nonaccrual loans	31,828	31,352
Other real estate owned and other personal property owned	23,347	22,225
Total nonperforming assets	\$ 55,175	\$ 53,577
Loans, net of unearned income	\$ 5,450,895	\$ 5,445,378
Total assets	\$ 8,552,902	\$ 8,578,846
Nonperforming loans to period end loans	0.58%	0.58%
Nonperforming assets to period end assets	0.65%	0.62%

At March 31, 2015 , nonperforming assets were \$55.2 million , compared to \$53.6 million at December 31, 2014 . Nonperforming assets increased \$1.6 million during the three months ended March 31, 2015 as a result of a \$476 thousand increase in nonaccrual loans and a \$1.1 million increase in OREO, most of which came from the PCI portfolio.

Other Real Estate Owned: During the three months ended March 31, 2015 , OREO increased \$1.1 million . The following table sets forth activity in OREO for the periods indicated:

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Balance, beginning of period	\$ 22,190	\$ 35,927
Transfers in	4,692	5,751
Valuation adjustments	(197)	(1,580)
Proceeds from sale of OREO property	(5,122)	(11,205)
Gain on sale of OREO, net	1,736	1,659
Balance, end of period	\$ 23,299	\$ 30,552

Allowance for Loan and Lease Losses

Loans, excluding Purchased Credit Impaired Loans

We maintain an ALLL to absorb losses inherent in the loan portfolio. The size of the ALLL is determined through quarterly assessments of the probable estimated losses in the loan portfolio. Our methodology for making such assessments and determining the adequacy of the ALLL includes the following key elements:

1. General valuation allowance consistent with the Contingencies topic of the FASB ASC.
2. Classified loss reserves on specific relationships. Specific allowances for identified problem loans are determined in accordance with the Receivables topic of the FASB ASC.
3. The unallocated allowance provides for other factors inherent in our loan portfolio that may not have been contemplated in the general and specific components of the allowance. This unallocated amount generally comprises less than 5% of the allowance. The unallocated amount is reviewed quarterly based on trends in credit losses, the results of credit reviews and overall economic trends.

On a quarterly basis, our Chief Credit Officer reviews with executive management and the board of directors the various additional factors that management considers when determining the adequacy of the ALLL, including economic and business condition reviews. Factors which influenced management's judgment in determining the amount of the additions to the ALLL charged to operating expense include the following as of the applicable balance sheet dates:

- Existing general economic and business conditions affecting our market place
- Credit quality trends
- Historical loss experience
- Seasoning of the loan portfolio
- Bank regulatory examination results
- Findings of internal credit examiners
- Duration of current business cycle
- Specific loss estimates for problem loans

The ALLL is increased by provisions for loan and lease losses ("provision") charged to expense, and is reduced by loans charged off, net of recoveries or recapture of previous provision. While we believe the best information available is used by us to determine the ALLL, changes in market conditions could result in adjustments to the ALLL, affecting net income, if circumstances differ from the assumptions used in determining the ALLL.

In addition to the ALLL, we maintain an allowance for unfunded commitments and letters of credit. We report this allowance as a liability on our Consolidated Balance Sheet. We determine this amount using estimates of the probability of the ultimate funding and losses related to those credit exposures. This methodology is similar to the methodology we use for determining the adequacy of our ALLL. For additional information on our allowance for unfunded commitments and letters of credit, see Note 6 to the Consolidated Financial Statements presented elsewhere in this report.

Purchased Credit Impaired Loans

PCI loans are accounted for under ASC 310-30 and initially measured at fair value based on expected future cash flows over the life of the loans. PCI loans that have common risk characteristics are aggregated into pools. The Company re-measures contractual and expected loan cash flows, at the pool-level, on a quarterly basis. If, due to credit deterioration, the present value of expected cash flows, as periodically re-measured, is less than the carrying value of the loan pool, the Company adjusts the carrying value of the loan pool to the lower amount by adjusting the ALLL with a charge to earnings through the provision for loan losses. If the present value of expected cash flows is greater than the carrying value of the loan pool, the Company adjusts the carrying value of the loan pool to a higher amount by recapturing previously recorded allowance for loan losses, if any.

At March 31, 2015, our ALLL was \$70.2 million, or 1.29% of total loans (excluding loans held for sale). This compares with an ALLL of \$69.6 million, or 1.28% of total loans (excluding loans held for sale) at December 31, 2014 and an ALLL of \$70.6 million or 1.54% of total loans (excluding loans held for sale) at March 31, 2014.

The following table provides an analysis of the Company's ALLL for loans at the dates and the periods indicated:

	Three Months Ended March 31,	
	2015	2014
	<i>(in thousands)</i>	
Beginning balance	\$ 69,569	\$ 72,454
Charge-offs:		
Commercial business	(1,426)	(233)
One-to-four family residential	(8)	(207)
Commercial and multifamily residential	—	(1,023)
Consumer	(891)	(727)
Purchased credit impaired	(4,100)	(4,273)
Total charge-offs	(6,425)	(6,463)
Recoveries:		
Commercial business	618	490
One-to-four family residential	12	28
Commercial and multifamily residential	3,261	39
One-to-four family residential construction	28	42
Commercial and multifamily residential construction	3	—
Consumer	273	253
Purchased credit impaired	1,686	1,806
Total recoveries	5,881	2,658
Net charge-offs	(544)	(3,805)
Provision for loan and lease losses	1,209	1,922
Ending balance	\$ 70,234	\$ 70,571
Total loans, net at end of period, excluding loans held of sale	\$ 5,450,895	\$ 4,577,363
Allowance for loan and lease losses to period-end loans	1.29%	1.54%
Allowance for unfunded commitments and letters of credit		
Beginning balance	\$ 2,655	\$ 2,505
Net changes in the allowance for unfunded commitments and letters of credit	—	150
Ending balance	\$ 2,655	\$ 2,655

FDIC Loss-sharing Asset

The Company has elected to account for amounts receivable under loss-sharing agreements with the FDIC as an indemnification asset in accordance with the Business Combinations topic of the FASB ASC. The FDIC indemnification asset is initially recorded at fair value, based on the discounted expected future cash flows under the loss-sharing agreements.

Subsequent to initial recognition, the FDIC indemnification asset is reviewed quarterly and adjusted for any changes in expected cash flows. These adjustments are measured on the same basis as the related covered loans. Any decrease in expected cash flows on the covered loans due to an increase in expected credit losses will increase the FDIC indemnification asset and any increase in expected future cash flows on the covered loans due to a decrease in expected credit losses will decrease the FDIC indemnification asset. Changes in the estimated cash flows on covered assets that are immediately recognized in income generally result in a similar immediate adjustment to the loss-sharing asset while changes in expected cash flows on covered assets that are accounted for as an adjustment to yield generally result in adjustments to the amortization or accretion rate for the loss-sharing asset. Increases and decreases to the FDIC loss-sharing asset are recorded as adjustments to noninterest income.

At March 31, 2015, the FDIC loss-sharing asset was \$14.6 million, which was comprised of a \$10.6 million FDIC indemnification asset and a \$4.0 million FDIC receivable. The FDIC receivable represents the amounts due from the FDIC for claims related to covered losses the Company has incurred net of amounts due to the FDIC relating to shared recoveries.

The following table summarizes the activity related to the FDIC loss-sharing asset for the three months ended March 31, 2015 and 2014:

	Three Months Ended March 31,	
	2015	2014
	<i>(in thousands)</i>	
Balance at beginning of period	\$ 15,174	\$ 39,846
Adjustments not reflected in income:		
Cash payments to (from) the FDIC	(659)	1,678
FDIC reimbursable losses (recoveries), net	(21)	132
Adjustments reflected in income:		
Amortization, net	(2,294)	(6,452)
Loan impairment	1,532	1,938
Sale of other real estate	(420)	(756)
Write-downs of other real estate	1,071	516
Other	261	(65)
Balance at end of period	<u>\$ 14,644</u>	<u>\$ 36,837</u>

For additional information on the FDIC loss-sharing asset, please see Note 8 to the Consolidated Financial Statements presented elsewhere in this report.

Liquidity and Sources of Funds

Our primary sources of funds are customer deposits. Additionally, we utilize advances from the FHLB of Seattle, the Federal Reserve Bank of San Francisco, and wholesale and retail repurchase agreements to supplement our funding needs. These funds, together with loan repayments, loan sales, retained earnings, equity and other borrowed funds are used to make loans, to acquire securities and other assets, and to fund continuing operations.

Columbia Bank is a member of the FHLB of Seattle. In 2014, the FHLB of Seattle entered into a merger agreement with the Federal Home Loan Bank of Des Moines (the "Des Moines Bank"). If the merger contemplated by that agreement is consummated, the FHLB of Seattle will merge with and into the Des Moines Bank, with the Des Moines Bank being the surviving entity. As a result, the Bank will become a member of the Des Moines Bank and its shares of FHLB stock will be converted into shares of stock of the Des Moines Bank.

Deposit Activities

Our deposit products include a wide variety of transaction accounts, savings accounts and time deposit accounts. Core deposits (demand deposit, savings, money market accounts and certificates of deposit less than \$100,000) increased \$151.8 million since year-end 2014 .

We have established a branch system to serve our consumer and business depositors. In addition, management's strategy for funding asset growth is to make use of brokered and other wholesale deposits on an as-needed basis. The Company participates in the Certificate of Deposit Account Registry Service (CDARS[®]) program. CDARS[®] is a network that allows participating banks to offer extended FDIC deposit insurance coverage on time deposits. The Company also participates in a similar program to offer extended FDIC deposit insurance coverage on money market accounts. These extended deposit insurance programs are generally available only to existing customers and are not used as a means of generating additional liquidity. At March 31, 2015 , CDARS[®] deposits and brokered money market deposits were \$102.8 million , or 1% of total deposits, compared to \$101.8 million at year-end 2014 . The brokered deposits have varied maturities.

The following table sets forth the Company's deposit base by type of product for the dates indicated:

	March 31, 2015		December 31, 2014	
	Balance	% of Total	Balance	% of Total
	<i>(dollars in thousands)</i>			
Core deposits:				
Demand and other non-interest bearing	\$ 3,260,376	46.2%	\$ 2,651,373	38.3%
Interest bearing demand	901,684	12.7%	1,304,258	18.8%
Money market	1,700,014	24.0%	1,760,331	25.4%
Savings	630,423	8.9%	615,721	8.9%
Certificates of deposit less than \$100,000	279,258	3.9%	288,261	4.2%
Total core deposits	6,771,755	95.7%	6,619,944	95.6%
Certificates of deposit greater than \$100,000	199,728	2.8%	202,014	2.9%
Certificates of deposit insured by CDARS [®]	18,430	0.3%	18,429	0.3%
Brokered money market accounts	84,336	1.2%	83,402	1.2%
Subtotal	7,074,249	100.0%	6,923,789	100.0%
Premium resulting from acquisition date fair value adjustment	716		933	
Total deposits	<u>\$ 7,074,965</u>		<u>\$ 6,924,722</u>	

Borrowings

We rely on FHLB advances and FRB borrowings as another source of both short and long-term funding. FHLB advances and FRB borrowings are secured by bonds within our investment portfolio, and residential, commercial and commercial real estate loans. At March 31, 2015 , we had FHLB advances of \$36.6 million compared to \$216.6 million at December 31, 2014 .

We also utilize wholesale and retail repurchase agreements as a supplement to our funding sources. Our wholesale repurchase agreements are secured by mortgage-backed securities. At March 31, 2015 and December 31, 2014 , we had term repurchase agreements of \$25.0 million, which mature in 2018, and sweep-related repurchase agreements of \$71.9 million and \$80.1 million, respectively, which mature on a daily basis. Management anticipates we will continue to rely on FHLB advances, FRB borrowings, and wholesale and retail repurchase agreements in the future and we will use those funds primarily to make loans and purchase securities.

Contractual Obligations, Commitments & Off-Balance Sheet Arrangements

We are party to many contractual financial obligations, including repayment of borrowings, operating and equipment lease payments, off-balance sheet commitments to extend credit and investments in affordable housing partnerships. At March 31, 2015 , we had commitments to extend credit of \$1.73 billion compared to \$1.62 billion at December 31, 2014 .

Capital Resources

Shareholders' equity at March 31, 2015 was \$1.24 billion, an increase from \$1.23 billion at December 31, 2014. Shareholders' equity was 15% of total period-end assets at March 31, 2015 and 14% at December 31, 2014.

Capital Ratios : Basel III capital requirements became effective on January 1, 2015. The new capital requirements, among other things, (i) introduce a new capital measure called "Common Equity Tier 1," or CET1, (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting specified requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expand the scope of the deductions/adjustments to capital as compared to existing regulations. Under the requirements that are now effective, the minimum capital ratios are now (i) 4.5% CET1 to risk-weighted assets, (ii) 6% Tier 1 capital to risk-weighted assets, (iii) 8% total capital to risk-weighted assets and (iv) 4% Tier 1 leverage. The Company and the Bank have made the one-time election to opt-out of including accumulated other comprehensive income items in regulatory capital calculations.

FDIC regulations set forth the qualifications necessary for a bank to be classified as "well capitalized", primarily for assignment of FDIC insurance premium rates. To qualify as "well capitalized," banks must have a CET1 risk-adjusted capital ratio of 6.5%, a Tier I risk-adjusted capital ratio of at least 8%, a total risk-adjusted capital ratio of at least 10% and a leverage ratio of at least 5%. Failure to qualify as "well capitalized" can negatively impact a bank's ability to expand and to engage in certain activities.

The Company and its banking subsidiary qualify as "well-capitalized" at March 31, 2015. The following table presents the regulatory standards for adequately capitalized and well-capitalized institutions and the capital ratios for the Company and its banking subsidiary at March 31, 2015 :

	Company	Columbia Bank	Requirements	
	March 31, 2015	March 31, 2015	Adequately capitalized	Well-Capitalized
Common equity tier 1 (CET1) risk-based capital ratio	12.50%	12.37%	4.50%	6.50%
Tier 1 risk-based capital ratio	12.53%	12.37%	6.00%	8.00%
Total risk-based capital ratio	13.63%	13.47%	8.00%	10.00%
Leverage ratio	10.29%	9.76%	4.00%	5.00%

For additional information concerning the new Basel III capital requirements, including information regarding those requirements when fully phased in, see "Business-Regulatory Capital Requirements" in our 2014 Form 10-K. See Note 24, Regulatory Capital Requirements, in Item 8 of our 2014 Form 10-K for additional details related to our capital ratios as of December 31, 2014 based on capital requirements then in effect.

Non-GAAP Financial Measures

The Company considers operating net interest margin (tax equivalent) to be an important measurement as it more closely reflects the ongoing operating performance of the Company. Despite the importance of the operating net interest margin (tax equivalent) to the Company, there is no standardized definition for it and, as a result, the Company's calculations may not be comparable with other organizations. Also, there may be limits in the usefulness of this measure to investors. As a result, the Company encourages readers to consider its consolidated financial statements in their entirety and not to rely on any single financial measure.

The following table reconciles the Company's calculation of the operating net interest margin (tax equivalent) to the net interest margin (tax equivalent) for the periods indicated:

	Three Months Ended March 31,	
	2015	2014
Operating net interest margin non-GAAP reconciliation:		
	<i>(dollars in thousands)</i>	
Net interest income (tax equivalent) (1)	\$ 82,667	\$ 75,788
Adjustments to arrive at operating net interest income (tax equivalent):		
Incremental accretion income on FDIC purchased credit impaired loans	(2,447)	(6,489)
Incremental accretion income on other FDIC acquired loans	(117)	(204)
Incremental accretion income on other acquired loans	(4,934)	(5,615)
Premium amortization on acquired securities	2,861	1,625
Interest reversals on nonaccrual loans	650	287
Operating net interest income (tax equivalent) (1)	\$ 78,680	\$ 65,392
Average interest earning assets	\$ 7,529,040	\$ 6,244,692
Net interest margin (tax equivalent) (1)	4.39%	4.85%
Operating net interest margin (tax equivalent) (1)	4.18%	4.19%

(1) Tax-exempt interest income has been adjusted to a tax equivalent basis. The amount of such adjustment was an addition to net interest income of \$2.3 million and \$1.8 million for the three months ended March 31, 2015 and 2014, respectively.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A number of measures are used to monitor and manage interest rate risk, including income simulations and interest sensitivity (gap) analysis. An income simulation model is the primary tool used to assess the direction and magnitude of changes in net interest income resulting from changes in interest rates. Basic assumptions in the model include prepayment speeds on mortgage-related assets, cash flows and maturities of other investment securities, loan and deposit volumes and pricing. These assumptions are inherently subjective and, as a result, the model cannot precisely estimate net interest income or precisely predict the impact of higher or lower interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes and changes in market conditions and management strategies, among other factors. At March 31, 2015, based on the measures used to monitor and manage interest rate risk, there has not been a material change in the Company's interest rate risk since December 31, 2014. For additional information, refer to Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2014 Annual Report on Form 10-K.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based on that evaluation, the CEO and CFO have concluded that as of the end of the period covered by this report, our disclosure controls and procedures are effective in ensuring that the information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934 is (i) accumulated and communicated to our management (including the CEO and CFO) to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Controls Over Financial Reporting

There was no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

On June 24, 2009, West Coast Trust, which as a result of our 2013 acquisition of West Coast Bancorp is now a subsidiary of the Company, was served with an Objection to Personal Representative's Petition and Petition for Surcharge of Personal Representative in Linn County Circuit Court. The petitioners alleged a breach of fiduciary duty with respect to West Coast Trust's prior sale of real property owned by the petitioner's estate and sought relief in the form of a surcharge to West Coast Trust of \$215.6 million. West Coast Trust filed a motion to dismiss on July 2, 2009, which was granted in a letter ruling dated September 15, 2009. Petitioners appealed and on October 8, 2014, the Court of Appeals of the State of Oregon affirmed the lower court's ruling dismissing all claims against West Coast Trust. On November 12, 2014, the petitioners filed an Appellant's Petition for Review with the Supreme Court of the State of Oregon, seeking review and reversal of the Court of Appeals' decision and remand of the case to the circuit court for trial. On February 5, 2015, the Supreme Court of the State of Oregon denied the Petition for Review, effectively disposing of this matter in its entirety.

Item 1A. RISK FACTORS

Refer to Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for a discussion of risk factors relating to the Company's business. The Company believes that there has been no material change in its risk factors as previously disclosed in the Company's Form 10-K.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

- (a) Not applicable
- (b) Not applicable
- (c) The following table provides information about repurchases of common stock by the Company during the quarter ended March 31, 2015 :

Period	Total Number of Common Shares Purchased (1)	Average Price Paid per Common Share	Total number of Shares Purchased as Part of Publicly Announced Plan (2)	Maximum Number of Remaining Shares That May Be Purchased at Period End Under the Plan (2)
1/1/2015 - 1/31/2015	510	\$ 26.42	—	—
2/1/2015 - 2/28/2015	26,981	28.15	—	—
3/1/2015 - 3/31/2015	286	29.02	—	—
	27,777	\$ 28.12	—	—

- (1) Common shares repurchased by the Company during the quarter consist of cancellation of 27,777 shares of common stock to pay the shareholders' withholding taxes.
- (2) The Company does not have a current share repurchase plan.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

10.1*+	Amendment to Employment Agreement effective February 27, 2015 among the Bank, the Company and Melanie J. Dressel
10.2*+	First Amendment to the Second Amended and Restated Executive Supplemental Compensation Agreement, by and between the Bank and Melanie J. Dressel, effective February 27, 2015
10.3*+	First Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement, by and between the Bank and Clint E. Stein, effective February 27, 2015
10.4*+	First Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement, by and between the Bank and Andrew L. McDonald, effective February 27, 2015
10.5*+	First Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement, by and between the Bank and David C. Lawson, effective February 27, 2015
10.6*+	First Amendment to the Restated and Amended West Coast Bank Supplemental Executive Retirement Plan Agreement, by and among the Company (as successor-in-interest to West Coast Bancorp), Bank (as successor-in-interest to West Coast Bank) and Hadley S. Robbins, effective February 27, 2015
10.7*+	Columbia State Bank Supplemental Executive Retirement Plan Agreement, by and between the Bank and Hadley S. Robbins, effective February 27, 2015
10.8*+	Columbia State Bank Supplemental Executive Retirement Plan Agreement, by and between the Bank and Kumi Baruffi, effective February 27, 2015
31.1+	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2+	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32+	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101+	The following financial information from Columbia Banking System, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 is formatted in XBRL: (i) the Unaudited Consolidated Balance Sheets, (ii) the Unaudited Consolidated Statements of Income, (iii) the Unaudited Consolidated Statements of Comprehensive Income, (iv) the Unaudited Consolidated Statements of Changes in Shareholders' Equity, (v) the Unaudited Consolidated Statements of Cash Flows, and (vi) the Notes to Unaudited Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement

+ Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COLUMBIA BANKING SYSTEM, INC.

Date: May 6, 2015

By /s/ MELANIE J. DRESSEL
Melanie J. Dressel
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 6, 2015

By /s/ CLINT E. STEIN
Clint E. Stein
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: May 6, 2015

By /s/ BARRY S. RAY
Barry S. Ray
Senior Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

INDEX TO EXHIBITS

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* Management contract or compensatory plan or arrangement

+ Filed herewith

**AMENDMENT
TO
EMPLOYMENT AGREEMENT**

THIS AMENDMENT, effective as of February 27, 2015, is made by and among COLUMBIA STATE BANK and COLUMBIA BANKING SYSTEM, INC. ("CBSI" and, with Columbia State Bank collectively, "Employer") and MELANIE J. DRESSEL ("Executive").

Recitals

A. Employer and Executive are parties to an Employment Agreement, effective as of August 1, 2004, which was amended effective as of December 30, 2008 and February 1, 2009 (as amended, the "Employment Agreement").

B. The February 1, 2009 amendment reduced Executive's change of control payments so that the total amount thereof would be \$1 less than the Parachute Payment Amount (as defined in the Employment Agreement) and was adopted in connection with CBSI's voluntary participation in the U.S. Department of Treasury's TARP Capital Purchase Program, which was repaid in full in 2010.

C. Employer and Executive have agreed to revise the Employment Agreement so that provisions regarding "parachute payments" under Section 280G of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), are identical to those in the agreements of other executive officers of CBSI.

NOW THEREFORE, for and in consideration of the above, and the mutual covenants, terms and conditions hereof, the parties agree as set forth below.

Agreement

1. **Amendment**. Section 6.3 of the Employment Agreement is hereby deleted in its entirety and replaced with the following:

6.3 IRS Section 280G Issues . If all or any portion of the amounts payable to the Executive under this Agreement, either alone or together with other payments which the Executive has the right to receive from Employer, constitute "excess parachute payments" within the meaning of Section 280G of the Code that are subject to the excise tax imposed by Section 4999 of the Code (or similar tax and/or assessment), Executive shall be responsible for the payment of such excise tax and Employer (and its successor) shall be responsible for any loss of deductibility related thereto; provided, however, that Employer and Executive shall cooperate with each other and use all reasonable efforts to minimize to the fullest extent possible the amount of excise tax imposed by Section 4999 of the Code, but only to the extent that any agreement to minimize the impact of the Section 4999 excise tax shall comply in all respects with all applicable laws, including Section 409A of the Code and regulations thereunder. If, at a later date, it is determined (pursuant to final regulations or published rulings of the Internal Revenue Service, final judgment of a court of competent jurisdiction, or otherwise) that the amount of excise taxes payable by the Executive is greater than the amount initially so determined, then Executive shall pay an amount equal to the sum of such additional excise taxes and any interest, fines and penalties resulting from such underpayment. The determination of the amount of any such excise taxes shall be made by

the independent accounting firm employed by Employer immediately prior to the change in control or such other independent accounting firm or advisor as may be mutually agreeable to Employer and Executive in the exercise of their reasonable good faith judgment.

2. Miscellaneous.

- a. Entire Agreement . Except as specifically amended hereby, the Employment Agreement remains in full force and effect and incorporates in the full the provisions of this Amendment.
- b. Governing Law . This Amendment is made with reference to and is intended to be construed in accordance with the laws of the State of Washington.

IN WITNESS WHEREOF, the parties have executed this Amendment effective on February 27, 2015.

COLUMBIA STATE BANK

By /s/ WILLIAM T. WEYERHAUSER
William T. Weyerhaeuser
Its Chairman

COLUMBIA BANKING SYSTEM, INC.

By /s/ WILLIAM T. WEYERHAUSER
William T. Weyerhaeuser
Its Chairman

EXECUTIVE

/s/ MELANIE J. DRESSEL
Melanie J. Dressel

**FIRST AMENDMENT TO THE SECOND
AMENDED AND RESTATED COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
(By and Between Melanie J. Dressel & Columbia State Bank)**

This First Amendment to the Second Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement (hereinafter “Amendment”), entered into this February 27, 2015 by and between **Columbia State Bank** (hereinafter “Bank” or “Employer”) and Melanie J. Dressel (hereinafter “Executive” or “Participant”), is intended to amend the Second Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement, effective as of May 27, 2009 (“Agreement”) as stated herein.

Furthermore, it is the intent of the parties that this Amendment shall be compliant with, and shall become effective on the earliest possible date compliant with, Internal Revenue Code Section 409A and the rules and regulations related thereto. Subject to the forgoing, the parties hereby agree as follows:

1. Paragraph 1.5 entitled “Early Commencement Reduction Factor” (appearing on page 3 of the Agreement) shall be deleted in its entirety and shall be replaced with the following:

1.5 Early Commencement Reduction Factor . The term “Early Commencement Reduction Factor” is the amount by which Executive’s benefit shall be reduced based on the benefit being paid prior to Executive’s attaining the Normal Retirement Age. The amount of the Early Commencement Reduction Factor shall be determined as follows: for each year (or partial year) that an Executive’s benefit hereunder is paid prior to his attainment of the Normal Retirement Age, then the benefit amount shall be reduced, on a pro rata basis, by a factor of five percent (5%). Thus, if an executive with a Normal Retirement Age of sixty-five (65) begins receiving payments at age sixty two and one half (62 ½), the amount of the annual benefit shall be reduced by 12.5% ($65 - 62 \frac{1}{2} = 2.5$; $2.5 \times 5\% = 12.5\%$).

2. Paragraph 1.16 entitled “Supplemental Retirement Benefit” (appearing on page 4 of the Agreement) shall be deleted in its entirety and shall be replaced with the following:

1.16 Supplemental Retirement Benefit. For the purposes of this Agreement, the “Supplemental Retirement Benefit” shall be an amount equal to sixty percent (60%) of the average of Executive’s three (3) highest years of Base Salary (as of the date of Separation From Service or Disability). For Illustrative purposes only, attached hereto and incorporated by reference herein as “Exhibit A” is an illustration of Executive’s projected salary and potential benefit under this Agreement. This illustration is in no way a guarantee of salary or benefit amounts, but rather is intended to provide a framework for understanding potential benefits provided hereunder. Furthermore, this illustration in Exhibit A is based on certain assumptions which may or may not be accurate at the time a benefit is due or vests.

In addition, for the purposes of calculating the Supplemental Retirement Benefit, "Base Salary" shall mean the regular cash compensation actually paid to Executive for services rendered or labor performed by Executive during a given calendar year, excluding bonuses, commissions, overtime, incentive payments, non-monetary awards. This amount shall include amounts Executive could have received in cash in lieu of (i) contributions made on Executive's behalf to a qualified plan maintained by the Bank or to any cafeteria plan under Section 125 of the Code maintained by the Employer and (ii) deferrals of compensation made at the Executive's election pursuant to a plan or arrangement of the Employer.

3. The following shall be inserted immediately following Paragraph 2.3 and as Paragraph 2.4 on page 6 of the Agreement:

2.4 Modifying Form of Benefit Payment. Pursuant to the terms of this Agreement, and consistent Code Section 409A, instead of having any Executive Benefit paid pursuant to Paragraphs 3.1, 3.2, 3.3 or 3.4 as a single life annuity, Executive may elect to have the benefit paid as follows: (i) A joint and survivor annuity with an Actuarial Equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse in the same amount as the amount paid to Executive, or (ii) A joint and survivor annuity in equal value to the Actuarial Equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse in one-half of the amount paid to Executive. (For the purpose of this Agreement, the term "spouse" shall include a registered domestic partner). The benefit payment commencement date and schedule shall otherwise remain unchanged. Any election to use an alternate annuity payment method must be made prior to the payment start date and, Executive shall not have the ability to modify the form of annuity elected once payments have begun. In the event, however, that a joint and survivor annuity option is elected and the Executive's spouse pre-deceases Executive, then for all payments made to Executive after the Executive's spouse's death, the amounts payable under this Agreement shall increase and be equal to the payment amounts Executive would have received under a single life annuity option. Executive shall not be able then to designate a new spouse and reinstate joint life annuity payments.

Attached hereto as "Exhibit B", is a Distribution Election Form which Executive may execute in order to elect a joint and survivor annuity benefit. The alternate payment methods provided by Exhibit B consist of joint and survivor annuities with an Actuarial Equivalent value equal to the single life Executive Benefit, with payments continued to the survivor in varying amounts. "Exhibit C", attached hereto, provides a hypothetical example of how the benefit payments might differ between a single life annuity and a joint life annuity.

4. Paragraph 3.3 entitled “Disability” (appearing on page 7 of the Agreement) shall be deleted in its entirety and shall be replaced with the following:

3.3 Disability.

- A. **Benefit Amount.** In the event that Executive becomes Disabled prior to Separating From Service, then she shall receive a lifetime annuity (which shall include a two percent (2%) annual increase in Executive Benefit) calculated based on a lump sum amount determined as of Disability in accordance with the following:

The Actuarial Equivalent value of a lifetime benefit with annual payments equal to the Supplemental Retirement Benefit ; however, for the purposes of this provision, if Disability occurs before Executive attains the Normal Retirement Age, the Supplemental Retirement Benefit shall be determined assuming that for each year following Executive becoming Disabled, Executive’s Base Salary will increase annually at a rate of three percent (3%) on the anniversary of Executive’s date of hire until such time as Executive attains the Normal Retirement Age. In addition, when calculating the Actuarial Equivalent amount, it shall be assumed that payments commence the later of Normal Retirement Age or Disability, and shall include a two percent (2%) annual increase in Executive Benefit amount .

For the purposes of this Agreement, the term “Actuarial Equivalent” means equivalence in value between two (2) or more forms and/or times of payment based on a determination by an actuary chosen by the Committee, utilizing the “applicable interest rate” specified by IRC Section 417(e)(3)(C) as of the date of Executive’s Separation of Service or Disability, and the “applicable mortality table” specified in IRC Section 417(e)(3)(B).

- B. **Benefit Payments.** Unless elected otherwise (i.e., a joint and survivor annuity), this annual Executive Benefit shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first day of the first month following Executive’s Disability and continuing until the death of the Executive.

5. Paragraph 3.4 entitled “Involuntary Termination or Termination For Good Reason Following a Change in Control” (appearing on page 7 of the Agreement) shall be deleted in its entirety and shall be replaced with the following:

- 3.4 Involuntary Termination or Termination For Good Reason Following a Change in Control.** In the event Executive is Involuntarily Terminated or Terminates for Good Reason following a Change in Control, and prior to attaining the Normal Retirement Age, then Executive shall receive the following benefit:

- A. **Benefit Amount.** The Executive Benefit shall be an annual amount equal to the Supplemental Retirement Benefit. The annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first anniversary of the first Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit. In addition, this Executive Benefit shall be subject to the Early Commencement Reduction Factor.
- B. **Benefit Payments.** If Executive is entitled to receive a benefit pursuant to the terms of this Paragraph 3.4A above, and unless elected otherwise (i.e., a joint and survivor annuity), this annual Executive Benefit shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first day of the first month following Executive's Separation From Service and continuing until the death of the Executive.

To the extent that any paragraph, term, or provision of the Second Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement is not specifically amended herein, or in any other amendment thereto, said paragraph, term, or provision shall remain in full force and effect as set forth in said Agreement.

IN WITNESS WHEREOF, the Executive and a duly authorized representative of Columbia State Bank have signed this Amendment as of the written date.

/s/ MELANIE J. DRESSEL Date: February 27, 2015
Melanie J. Dressel- Signature

COLUMBIA STATE BANK

By: /s/ WILLIAM T. WEYERHAEUSER Date: February 27, 2015
William T. Weyerhaeuser/Board Chairman

EXHIBIT A
TO THE FIRST AMENDMENT
TO THE SECOND AMENDED AND RESTATED
COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR MELANIE J. DRESSEL

The following chart is provided for illustrative purposes only and projects possible salary and potential benefits under this Agreement. This chart is in no way intended to be a guarantee of future salary or benefits.

EOY Age	Date of Separation from Service	Average Three Highest Years Salary	60% of Three Highest Years	Early Reduction Factor	Retirement Benefit
62	September 2, 2013 through September 1st, 2014	\$531,914	\$319,148	-15%	\$271,276
63	September 2, 2014 through September 1st, 2015	\$620,751	\$372,450	-10%	\$335,205
64	September 2, 2015 through September 1st, 2016	\$721,210	\$432,726	-5%	\$411,090
65	September 2, 2016 through September 1st, 2017	\$742,846	\$445,708	0%	\$445,708
66	September 2, 2017 through September 1st, 2018	\$765,132	\$459,079	0%	\$459,079
67	September 2, 2018 through September 1st, 2019	\$788,086	\$472,851	0%	\$472,851

EXHIBIT B
TO THE FIRST AMENDMENT
TO THE SECOND AMENDED AND RESTATED
COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR MELANIE J. DRESSEL

DISTRIBUTION ELECTION FORM REGARDING JOINT AND SURVIVOR BENEFIT

Pursuant to the terms of the Supplemental Executive Compensation Agreement, by and between me, Melanie J. Dressel, and Columbia State Bank (hereinafter “Bank”), effective as of July 1, 2013, as amended and restated thereafter by the First and Second Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement (as amended), I have been granted a supplemental compensation benefit. Terms which are “defined terms” in the Second Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement (“Agreement”)(as amended) shall have the same meaning within this Distribution Election Form; however, in the event IRC 409A requires alternate assumptions when calculating Actuarially Equivalent lifetime annuity payments, then IRC 409A shall supersede the forgoing to the extent required by the Code.

Pursuant to IRC 409A, there are multiple restrictions and limitations regarding modifying the time and/or form of such payments; however an exception to these restrictions permits elections to change from a life annuity to another Actuarially Equivalent life annuity (prior to payments beginning).

In the event no alternate method is selected above, then amounts due under this Agreement shall be paid out as a single life annuity based on the life of the Executive. Subject to the forgoing, and provided that payments have not yet begun, Executive may elect to have the Executive Benefit paid as follows:

Joint and Survivor Election.

Election of Actuarial Equivalent of Form of Benefit For Married Participant or Participant with Domestic Partner.

Pursuant to the terms of the Agreement, and consistent with IRC 409A, instead of having my benefit paid as a single life annuity, with payments continuing until my death, I elect to have my benefit paid to me as designated below:

- _____ A joint and survivor annuity with an Actuarial Equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse (registered domestic partner) in the same amount as the amount paid to me.
- _____ A joint and survivor annuity in equal value to the Actuarial Equivalent of the benefit owing pursuant to the Agreement, with payment continued to my surviving spouse (registered domestic partner) in one-half of the amount paid to me.

Acknowledgment of Limitations on Changes in Time and Form of Payment of Benefits. All Actuarially Equivalent valuations must be in compliance with IRC 409A and 1.409A-2(b)(2)(ii). In addition, when determining whether two life annuities are Actuarially Equivalent, the same actuarial assumptions and methods must be used in valuing each life annuity. This requirement applies over the entire term of Executive's participation in the Plan, such that the annuities must be actuarially equivalent at all times for the annuity options to be treated as one time and form of payment. However, provided the actuarial methods and assumptions are reasonable, there is no requirement that consistent actuarial assumptions and methods be used over the term of the Executive's participation in the Plan. Accordingly, the Plan may change the actuarial assumptions and methods used to determine the life annuity payments, provided that all of the actuarial assumptions and methods are reasonable.

In the event, however, that a joint and survivor annuity option is selected, and that Executive's spouse predeceases Executive, then for all payments made to Executive after the Executive's spouse's death, the amounts payable under this Agreement shall increase and be equal to the payment amounts Executive would have received under a single life annuity option. In addition, Executive shall no longer have the ability to make a new joint and survivor annuity election.

In the event no alternate method is selected above, then amounts due under this Agreement shall be paid out as a single life annuity.

EXECUTIVE:_____ Print Name: _____

Dated: __

**EXHIBIT C
TO THE FIRST AMENDMENT
TO THE SECOND AMENDED AND RESTATED
COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR MELANIE J. DRESSEL**

The following figures are provided ONLY as an example of potential benefit amounts in the event Executive Separates From Service at Normal Retirement Age:

Annual Payment Single Life Annuity Option (Executive's lifetime only): \$445,708.

Election of the joint and survivor annuity with an Actuarial Equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse in the same amount as the amount paid to the Executive might result in an annual benefit of \$383,686.

Election of the joint and survivor annuity in equal value to the Actuarial Equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse in one-half of the amount paid to Executive might result in an annual benefit of \$412,378 paid to Executive during their lifetime, with an annual benefit of \$206,189 paid to Executive's spouse upon Executive's death.

THESE NUMBERS ARE PROVIDED FOR ILLUSTRATION PURPOSES ONLY AND ARE IN NO WAY A GUARANTEE OF BENEFITS OR AMOUNTS.

THE ASSUMPTIONS USED TO CALCULATE ACTUAL BENEFITS WILL ONLY BE DETERMINED AT THE TIME BENEFITS BECOME DUE, AND THUS THERE CAN BE NO GUARANTEE OF ANNUITY AMOUNTS AT THE TIME THIS AGREEMENT IS PUT INTO PLACE.

**FIRST AMENDED AND RESTATED COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
(By and Between Columbia State Bank and Clinton E. Stein)**

ARTICLE I

PURPOSE AND EFFECTIVE DATE

This First Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement (hereinafter "Agreement"), entered into this February 27, 2015 by and between **Columbia State Bank** (hereinafter "Bank" or "Employer") and Clinton E. Stein (hereinafter "Executive" or "Participant"), is intended to amend, supersede and replace, in its entirety, the Columbia State Bank Supplemental Executive Retirement Plan Agreement, effective as of June 1, 2013 ("Original Agreement").

The purpose of this Columbia State Bank Supplemental Executive Retirement Plan (hereinafter the "Plan") is to provide supplemental retirement benefits for certain key employees of the Bank. It is intended that the Plan will aid in retaining and attracting individuals of exceptional ability by providing them with these benefits.

WHEREFORE, the Bank and Executive hereby agree to the following;

ARTICLE II

DEFINITIONS

For the purposes of this Agreement, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Furthermore, in the event of any ambiguity or in the event any clarification is required, the below terms shall be interpreted in a manner consistent with Internal Revenue Code Section 409A.

2.1 Actuarial Equivalent. The term "Actuarial Equivalent" means equivalence in value between two (2) or more forms and/or times of payment based on a determination by an actuary chosen by the Committee, utilizing the "applicable interest rate" specified by Internal Revenue Code Section 417(e)(3)(C) as of the date of Executive's Separation of Service or Disability, and the "applicable mortality table" specified in Code Section 417(e)(3)(B).

2.2 Administrator. The Bank shall be the "Administrator" and, solely for the purposes of ERISA (as defined below), the "fiduciary" of this Agreement where a fiduciary is required by ERISA.

2.3 Applicable Percentage. The term "Applicable Percentage" is the percentage of the Executive Benefit to which Executive may be entitled based on (a) the date on which the Executive

Separates From Service or Terminates Employment with the Bank or (b) the circumstances described herein. Subject to the forgoing, the Applicable Percentage shall be as follows:

DATE OF SEPARATION FROM SERVICE	APPLICABLE PERCENTAGE
December 5, 2005 thru December 5, 2008	0%
December 6, 2008 thru December 5, 2009	15%
December 6, 2009 thru December 5, 2010	20%
December 6, 2010 thru December 5, 2011	25%
December 6, 2011 thru December 5, 2012	30%
December 6, 2012 thru December 5, 2013	35%
December 6, 2013 thru December 5, 2014	40%
December 6, 2014 thru December 5, 2015	45%
December 6, 2015 thru December 5, 2016	50%
December 6, 2016 thru December 5, 2017	55%
December 6, 2017 thru December 5, 2018	60%
December 6, 2018 thru December 5, 2019	65%
December 6, 2019 thru December 5, 2020	70%
December 6, 2020 thru December 5, 2021	75%
December 6, 2021 thru December 5, 2022	80%
December 6, 2022 thru December 5, 2023	85%
December 6, 2023 thru December 5, 2024	90%
December 6, 2024 thru December 5, 2025	95%
December 6, 2025 and Thereafter	100%

2.4 Base Salary. "Base Salary" shall mean the regular cash compensation actually paid to Executive for services rendered or labor performed by Executive during a given calendar year, excluding bonuses, commissions, overtime, incentive payments, non-monetary awards. This amount shall include amounts Executive could have received in cash in lieu of (i) contributions made on Executive's behalf to a qualified plan maintained by the Bank or to any cafeteria plan under Section 125 of the Code maintained by Employer and (ii) deferrals of compensation made at the Executive's election pursuant to a plan or arrangement of the Employer.

2.5 Board. "Board" means the Board of Directors of Columbia State Bank.

2.6 Change in Control. For the purpose of this Agreement, a Change in Control shall be defined in a manner consistent with IRC 409A. Currently IRC provides a definition consistent with the following (and for the purposes of this provision, the term "corporation" shall mean Columbia State Bank):

- A. Change in the Ownership of a Corporation. A change in the ownership of a corporation occurs on the date that any one person or persons acting as a group (as defined in IRC 409A), acquires ownership of stock of the corporation that, together with stock held by such person or group, constitutes

more than fifty percent (50%) of the total fair market value or total voting power of the stock of such corporation. The acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the corporation.

B. Change in the Effective Control of a Corporation. A change in the effective control of the corporation shall be deemed to occur on either of the following dates:

(i) The date any one person, or persons acting as a group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the corporation possessing thirty percent (30%) or more of the total voting power of the stock of such corporation; or

(ii) The date a majority of members of the corporation's board of directors is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the corporation's board of directors before the date of the appointment or election.

C. Change in the Ownership of a Substantial Portion of a Corporation's Assets. A change in the ownership of a substantial portion of a corporation's assets shall be deemed to occur on the date that any one person or group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the corporation that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the corporation immediately before such acquisition or acquisitions. No Change in Control shall result if the assets are transferred to certain entities controlled directly or indirectly by the shareholders of the transferring corporation.

In addition, to constitute a change in control event with respect to the Executive, the change in control event must relate to (i) the corporation for whom Executive is performing services at the time of the Change in Control; (ii) The corporation that is liable for the payment of the amounts described herein (or all corporations liable for the payment if more than one corporation is liable) but only if either the deferred compensation is attributable to the performance of service by the Executive for such corporation(s) or there is a bona fide business purpose for such corporation(s) to be liable for such payment and, in either case, no significant purpose of making such corporation(s) liable for such payment is the avoidance of Federal income tax; or (iii) a corporation that is a majority shareholder of a corporation identified in (i) or (ii) above, or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in (i) or (ii) above.

2.7 The Code. The "Code" shall mean the Internal Revenue Code of 1986, as amended.

2.8 Committee. The term "Committee" means the Compensation Committee of the Board of Directors of Columbia State Bank.

2.9 Competitive Activity. For the purposes of this Agreement, "Competitive Activity" is defined as acting directly or indirectly as an employee, agent, stockholder (other than passive holdings of less than two percent (2%) of the outstanding shares of a publicly-traded company), member, officer, director, co-partner, advisor, or in any other individual or representative capacity, on behalf of any "Conflicting Organization."

2.10 Conflicting Organization. For purposes of this Agreement, "Conflicting Organization" is defined as any person, entity, or organization engaged (or about to become engaged) in a business similar to, or that competes with, the business of Employer, including without limitation any bank or financial institution (including without limitation any trust company, finance company, or leasing company).

2.11 Disability/Disabled. For the purposes of this Agreement, Executive will be considered Disabled if it is determined (in a manner consistent with IRC 409A) that Executive is Disabled within the meaning of IRC 409A. Currently, IRC 409 provides the following definition of Disability:

- A. The Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or
- B. The Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Employee's employer.

In the event a disability policy has been purchased by Employer for Executive, then the individual or entity responsible for determining such disability thereunder shall determine Executive's Disability under this Agreement (using the forgoing Disability definition). In the event no such disability policy exists, then the Plan Administrator shall make a good faith determination of Disability in a manner consistent with that required under IRC 409A.

2.12 Early Commencement Reduction Factor. The term "Early Commencement Reduction Factor" is the amount by which an Executive Benefit shall be reduced based on the benefit being paid prior to Executive's attainment of the Normal Retirement Age. The amount of the Early Commencement Reduction Factor shall be determined as follows: for each year (or partial

year) that an Executive's benefit hereunder is paid prior to his attainment of the Normal Retirement Age, then the benefit amount shall be reduced, on a pro rata basis, by a factor of five percent (5%). Thus, if an executive with a Normal Retirement Age of sixty-five (65) begins receiving payments at age sixty-two and one half (62 ½), the amount of the annual benefit shall be reduced by 12.5% ($65 - 62 \frac{1}{2} = 2.5$; $2.5 \times 5\% = 12.5\%$).

2.13 Early Retirement Age. The "Early Retirement Age" shall be age fifty-five (55).

2.14 Effective Date. The term "Effective Date" shall mean the date first written above.

2.15 Employer or Bank. The term "Employer" or "Bank" shall mean Columbia State Bank, any subsidiaries or affiliates thereof, or any successors thereto.

2.16 Employer's Market Area . For the purposes of this Agreement, "Employer's Market Area" is defined as including the following locations, either during Executive's employment or at the time of Executive's Separation From Service or Disability:

- A. Any counties in the States of Washington, Oregon or Idaho in which Employer maintains a branch or other office, and all counties bordering on any such county, or
- B. Any counties in other States in which Employer maintains a branch or other office at the time of Executive's Separation From Service or Disability, and all counties bordering on any such county, or
- C. Any other county in which Employer has bona fide documented plans to establish a branch or office, as demonstrated by minutes of board of director meetings, regulatory correspondence, or other written communications with third parties (including legal or financial advisers) with respect to such geographic expansion, and of which Executive is aware due to his employment with Employer.

Executive acknowledges that Employer currently has operations in various counties within the states of Washington, Oregon or Idaho that Employer plans to continue to expand its operations and presence within these states and other states, and that as a member of Employer's senior management, Executive's services are integral to these operations and expansion plans.

2.17 ERISA. The term "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

2.18 Executive Benefit. For the purposes of this Agreement, then term "Executive Benefit" shall refer to the annual amount to which Executive is entitled to receive pursuant to this Agreement. In addition, where the Executive Benefit is defined in terms of a lifetime annuity, Executive shall have the right under IRC 409A to elect an alternate annuity payment method, as specified herein. Amounts actually received by the Executive, however, shall be determined pursuant to Paragraphs 1 through 5 (including sub-paragraphs, as applicable), forfeited, reduced or adjusted to the extent: (a) required under the other provisions of this Agreement; (b) required by reason of the lawful order of any regulatory agency or body having jurisdiction over Employer; or (c) required

in order for Employer to comply with any and all applicable state and federal laws, including, but not limited to, income, employment and disability income tax laws (*e.g.*, FICA, FUTA, SDI).

2.19 Involuntary Termination/ Involuntary Separation From Service . The terms “Involuntary Termination” or “Involuntary Separation From Service” shall be defined as it is in IRC 409A, which currently provides that an “Involuntary” Termination shall mean a Separation From Service due to the independent exercise of the unilateral authority of the Employer to terminate the Executive’s services, other than due to the Executive’s implicit or explicit request, where the Executive was willing and able to continue performing services (and not as the result of a Disability of a Termination For Cause).

2.20 IRC 409A. The term “IRC 409A” shall refer to the final regulations issued by the IRS and the Treasury Department under Section 409A of the Code, and shall be deemed to include all related guidance issued.

2.21 Normal Retirement / Normal Retirement Age. The term "Normal Retirement" shall mean the Executive’s Separation From Service on or after attaining the Normal Retirement Age of sixty-five (65) and for reasons other than a Termination for Cause, because of a Disability, or pursuant to the provisions of Paragraph 5.4.

2.22 Participant/Executive. For the purpose of this Agreement, the terms “Executive” and “Participant” shall be interchangeable.

2.23 Remain Employed. For the purpose of this Agreement, the term “Remain(s) Employed” shall mean that Executive has not experienced a Separation From Service.

2.24 Separation From Service/ Termination of Employment. The terms “Separation From Service” (“Separates From Service”) and “Termination of Employment” shall be used interchangeably for the purposes of this Agreement and shall be interpreted in accordance with the provisions of IRC 409A. Currently, IRC 409A provides that whether a termination of employment has occurred is determined based on whether the facts and circumstances indicate that the Bank and the Executive reasonably anticipate that no further services will be performed after a certain date or that the level of bona fide services the employee will perform after such date (whether as an employee or as an independent contractor) will permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed (as an employee or an independent contractor) over the immediately preceding thirty-six (36) month period (or the full period of services to the Employer if the employee has been providing services to the employer less than 36 months). There shall be no Separation From Service while the Executive is on military leave, sick leave or other bona fide leave of absence, as long as such leave does not exceed six (6) months, or if longer, so long as the individual retains a right to re-employment with the service recipient under an applicable statute or by contract.

2.25 Specified Employee. The term “Specified Employee” shall be defined in accordance with IRC 409A, which states that a “Specified Employee” is an employee who, as of the date of the employee’s Separation From Service, is a key employee of an employer of which any stock is publicly traded on an established securities market or otherwise. An employee is a key employee if the employee meets the requirements of section 416(i)(1)(A)(i), (ii), or (iii) (applied in accordance

with the regulations thereunder and disregarding section 416(i)(5)) at any time during the twelve (12) month period ending on a specified employee identification date. If Executive is a key employee as of a specified employee identification date, then Executive shall be treated as a key employee for the entire twelve (12) month period beginning on the specified employee effective date.

2.26 Target Benefit Amount. For the purposes of this Agreement, the “Target Benefit Amount” shall be an amount equal to sixty percent (60%) of the average of Executive’s three (3) highest years of Base Salary (as of the date of Separation From Service or Disability). For illustrative purposes only, attached hereto and incorporated by reference herein as “Exhibit A” is an illustration of Executive’s projected salary and potential benefit under this Agreement. This illustration is in no way a guarantee of benefits, salary or benefit amounts, but rather is intended to provide a framework for understanding potential benefits provided hereunder. Furthermore, this illustration in Exhibit A is based on certain assumptions which may or may not be accurate at the time a benefit is due or vests.

2.27 Termination For Cause. The term “Termination For Cause” shall be defined as it is in any current employment agreement between Employer and Executive. In the event no such employment agreement exists, a Termination For Cause shall be defined as a Termination because of any of the following:

- A. Willful misfeasance or gross negligence;
- B. Conduct demonstrably and significantly harmful to Employer or a financial institution subsidiary;
or
- C. Conviction of a felony.

2.28 Termination For Good Reason. A termination shall be deemed to be for Good Reason if after a Change of Control, Executive Separates From Service on or after the occurrence of any of the below events, and such events occur without the Executive’s consent:

- A. A material diminution in the Executive’s total compensation;
- B. A material diminution in the Executive’s authority, duties, or responsibilities;
- C. A material change in the geographic location at which Employee must perform services (within the meaning of Treasury Regulations Section 1.409A-1(n)(2)(ii)(A)(5)), provided that in no event shall a change in geographic location of less than forty-five (45) miles be considered a material change in geographic location for purposes of this Agreement.

In the event of any of the forgoing circumstances, Executive shall provide notice to Employer of the existence of the conditions described above within a period not to exceed ninety (90) days of the initial existence of said condition, upon the notice of which Employer must be provided a period of at least thirty (30) days during which it may remedy the condition. If the condition is not remedied within those thirty (30) days, and Executive Voluntarily Terminates his employment within the two (2) year period following the initial occurrence of one or more of these conditions, then such Separation From Service shall be deemed to have been “For Good Reason”.

2.29 Voluntary Termination. The term “Voluntary Termination” shall mean a Separation From Service elected by the Executive and not as a result of a Disability or For Good Reason.

2.30 Years of Service. The term “Years of Service” shall mean the twelve (12) consecutive month period beginning on December 5, 2005 and any twelve (12) month anniversary thereof, during the entirety of which time the Executive is an employee of the Company and has not experienced a Separation From Service. Service with a subsidiary or other entity controlled by the Company before the time such entity became a subsidiary or under such control shall not be considered credited “Service” unless the Plan Administrator specifically agrees to credit such service.

ARTICLE III

SCOPE, PURPOSE AND EFFECT

3.1 Not a Contract of Employment. Although this Agreement is intended to provide Executive with an additional incentive to remain in the employ of Employer, this Agreement shall not be deemed to constitute a contract of employment between Executive and Employer, nor shall any provision of this Agreement restrict or expand the right of Employer to terminate Executive's employment. This Agreement shall have no impact or effect upon any separate written employment agreement which Executive may have with Employer, it being the parties' intention and agreement that unless this Agreement is specifically referenced in said employment agreement (or any modification thereto), this Agreement (and Employer's obligations hereunder) shall stand separate and apart and shall have no effect on or be affected by, the terms and provisions of said employment agreement.

3.2 Fringe Benefit. The benefits provided by this Agreement are granted by the Employer as a fringe benefit to Executive and are not a part of any salary reduction plan or any arrangement deferring a bonus or a salary increase. Executive has no option to take any current payments or bonus in lieu of the benefits provided by this Agreement.

3.3 Prohibited Payments. Notwithstanding anything in this Agreement to the contrary, if any payment made under this Agreement is a “golden parachute payment” as defined in Section 28(k) of the Federal Deposit Insurance Act (12 U.S.C. section 1828(k) and Part 359 of the Rules

and Regulations of the Federal Deposit Insurance Corporation (collectively, the “FDIC Rules”) or is otherwise prohibited, restricted or subject to the prior approval of a Bank Regulator, no payment shall be made hereunder without complying with said FDIC Rules.

ARTICLE IV

PAYMENT RESTRICTIONS AND LIMITATIONS

4.1 Delay in Payments for Specified Employee in the Event of a Separation From Service and Compliance With IRC 409A. In the event Executive is a Specified Employee as of the date of a Separation From Service, then a payment conditioned upon a Separation From Service may not be made before the date that is six (6) months after the date of Separation From Service (or, if earlier than the end of the six-month period, the date of death of the Specified Employee).

If payments to which Executive would otherwise be entitled during the first (1st) six (6) months following a Separation From Service are subject to this six (6) month delay in payment, then such payments shall be accumulated and paid on the first (1st) day of the seventh (7th) month following the date of Separation From Service. Payments will then continue thereafter as called for pursuant to the terms of this Agreement.

Notwithstanding any provision existing in this Agreement or any amendment thereto, it is the intent of the Employer and the Executive that any payment or benefit provided pursuant to this Agreement shall be made and paid in a manner, at a time and in a form which complies with the applicable requirements of IRC 409A in order to avoid any unfavorable tax consequences resulting from any such failure to comply.

4.2 Modifying Form of Benefit Payment/Single Life Annuity vs. Joint Life. Subject to the requirement that the methodology for calculation of “Actuarial Equivalence” be consistent with IRC 409A, when the Executive Benefit herein provides for payment as a single life annuity, then, in the alternative, Executive may elect one (1) of two (2) alternative annuity payout methods as presented in “Exhibit B”, the Distribution Election Form. These optional methods consist of joint and survivor annuities with an Actuarial Equivalent value equal to the single life Executive Benefit, with payments continued to the survivor in varying amounts. “Exhibit C”, attached hereto, provides a hypothetical example of how the benefit payments might differ between a single life annuity and a joint life annuity. The benefit payment commencement date and schedule shall otherwise remain unchanged. Any election to use an alternate annuity payment method must be made prior to the payment start date and, other than as addressed herein below, Executive shall not have the ability to modify the form of annuity elected once payments have begun. In the event, however, that a joint and survivor annuity option is elected and the Executive’s spouse pre-deceases Executive, then for all payments made to Executive after the Executive’s spouse’s death, the amounts payable under this Agreement shall increase and be equal to the payment amounts Executive would have received under a single life annuity option. Executive shall not be able then to designate a new spouse and reinstate joint life annuity payments.

4.3 Withholding of Payroll Taxes. Employer shall withhold from payments made hereunder any taxes required to be withheld from Executive's wage under federal, state or local law.

ARTICLE V

PAYMENT OF EXECUTIVE BENEFITS

Executive Benefit payments due hereunder shall be payable under this Agreement pursuant to only one (1) provision herein below. The date and circumstances of Executive's Separation From Service shall determine which paragraph shall be used to calculate the Executive Benefit payment due.

In addition, as all benefit amounts due under both this Agreement and the Supplemental Compensation Agreement dated January 22, 2008 (as amended and incorporated by reference and attached hereto as "Exhibit D", hereafter "SCA") will be determinable as of Executive's Separation From Service date, the following benefit determination/reduction formula shall be used to determine amounts due hereunder:

In the event any benefit payments due under this Agreement are scheduled to be made simultaneously with payment amounts due Executive pursuant to the SCA, then any amount due hereunder shall be reduced by amounts to be paid out pursuant to such SCA. For the purposes of this provision, "simultaneous(ly)" shall mean that payments are due in the same month. Additionally, in the event that payments hereunder are to be made in one (1) lump sum, then any amount paid out hereunder shall be reduced by any amounts already paid out under the terms of the SCA, as well as by an amount equal to all amounts still outstanding and due under the terms of the SCA. Subject to the forgoing, the Executive Benefits due hereunder shall be as follows:

5.1 Executive Benefit Payments in the Event of Normal Retirement. Subject to the provisions of Article VI below, the Executive Benefit under this provision shall be determined as follows:

A. Amount of Benefit. In the event Executive Separates From Service on or after attaining the Normal Retirement Age (and for reasons other than a Termination for Cause, because of a Disability, or pursuant to the provisions of paragraph 5.4 dealing with a Change in Control), then the Executive Benefit shall be an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount. In addition to the forgoing, the annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first (1st) anniversary of the first (1st) Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit.

- B. **Payment Method .** This annual Executive Benefit shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first (1st) day of the first (1st) month following Executive's Separation From Service and continuing until the death of the Executive. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.

5.2 **Executive Benefit Payments on or After Attaining the Early Retirement Age but Before Attaining the Normal Retirement Age.** Subject to the provisions of Article VI below, in the event Executive Separates From Service on or after attaining the Early Retirement Age, but before attaining the Normal Retirement Age, then the Executive Benefit to which Executive is entitled shall be determined as follows:

A. **Amount of Benefit.**

- (1) **Involuntary Termination or Voluntary Termination With Ten (10) Years of Service.** In the event of an Involuntary Termination or a Voluntary Termination by Executive after completing ten (10) Years of Service, either of which occur on or after attaining the Early Retirement Age but before attaining the Normal Retirement Age, then Executive shall be entitled to receive an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount; however this amount shall be reduced by the Early Commencement Reduction Factor. In addition to the forgoing, the annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first (1st) anniversary of the first (1st) Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit.
- (2) **Voluntary Termination Without Ten Years Service.** In the event Executive has not completed ten (10) Years of Service, then upon a Voluntary Separation From Service on or after attaining the Early Retirement Age but before attaining the Normal Retirement Age, Executive shall forfeit all rights and benefits he may have had under the terms of this Agreement.

- B. **Payment Method.** Any Executive Benefit due hereunder shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first (1st) day of the first (1st) month following Executive's Separation From Service and continuing until the death of the Executive. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.

5.3 Executive Benefit Payments in the Event of Involuntary or Voluntary Termination Prior to Attaining the Early Retirement Age. Subject to the provisions of Article VI below, in the event Executive Separates From Service prior to attaining the Early Retirement Age, then the Executive Benefit to which Executive is entitled shall be determined as follows:

A. Benefit Amount.

- (1) Involuntary Termination. In the event Executive is Involuntarily Terminated prior to attaining the Early Retirement Age, then Executive shall be entitled to receive an Executive Benefit equal to the Actuarial Equivalent of the following: a lifetime benefit with an annual amount equal to the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount, assuming a payment commencement date of the first (1st) day of the first (1st) month immediately following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) per year increase in the Executive Benefit amount.
- (2) Voluntary Termination. In the event Executive Voluntarily Terminates employment with the Bank prior to attaining the Early Retirement Age, then the Executive Benefit shall be determined as follows:
 - (a) If Executive has attained an Applicable Percentage of one hundred percent (100%), then he shall be entitled to receive an Executive Benefit equal to the Actuarial Equivalent of the following: a lifetime benefit with an annual amount equal to the Applicable Percentage of the of the Target Benefit Amount, assuming a payment commencement date of the first (1st) day of the first (1st) month immediately following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) per year increase in the Executive Benefit amount.
 - (b) If Executive has not attained an Applicable Percentage of one hundred percent (100%), he shall forfeit any and all rights and benefits he may have under the terms of this Agreement and shall have no right to be paid any of the amounts which would otherwise be due or paid to the Executive by the Bank pursuant to the terms of this Agreement.

B. Payment Method. This Executive Benefit shall be paid in one (1) lump sum one (1) year following Separation From Service.

5.4 Termination Following a Change in Control. Other than amounts due as a result of Disability, then following a Change in Control, this Paragraph 5.4 shall determine the Executive Benefit due in the event of a Separation From Service at any time following such Change in Control.

A. Benefit Amount.

- (1) Involuntary Termination or Termination for Good Reason. In the event Executive is Involuntarily Terminated or Terminates for Good Reason following a Change in Control and prior to attaining the Normal Retirement Age, then the Applicable Percentage shall be deemed to be that percentage Executive would have received had he Remained Employed until attaining the Normal Retirement Age. In the event Executive has already attained the Normal Retirement Age at the time of an Involuntary Termination or a Termination for Good Reason following a Change in Control, then Executive's Applicable Percentage shall be determined pursuant to the provisions of Paragraph 2.3. Executive shall then be entitled to receive an annual amount calculated as follows: the Applicable Percentage of the Target Benefit Amount*. Executive shall NOT be subject to the non-compete provisions of Article VI below.

(*As stated in Paragraph 5.4B, whether paid as an annuity or lump sum, this Executive Benefit shall reflect a two percent (2%) annual benefit increase, and when paid as an annuity prior to Normal Retirement, shall be subject to the Early Commencement Reduction Factor).

- (2) Voluntary Termination. In the event Executive Voluntarily Separates From Service following a Change in Control, then Executive shall be entitled to receive one of the following amounts, depending on the circumstances specified below:

a. If Executive has attained the Early Retirement Age and has completed ten (10) Years of Service, or if he has attained an Applicable Percentage of one hundred percent (100%), or if he has attained the Normal Retirement Age at the time of such Separation From Service, then he shall receive an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount*. Executive shall be subject to the provisions of Article VI below. (*As stated in Paragraph 5.4B, whether paid as an annuity or lump sum, this Executive Benefit shall reflect a two percent (2%) annual benefit increase, and when paid as an annuity prior to Normal Retirement, shall be subject to the Early Commencement Reduction Factor).

b. In the event Executive Voluntarily Separates From Service following a Change in Control but does not satisfy the requirements of Paragraph 5.4A(2)a above, then he shall forfeit all rights and benefits he may have had under the terms of this Agreement.

B. Benefit Payments. If Executive is entitled to receive a benefit pursuant to the terms of this Paragraph 5.4A above, then the benefit shall be payable as follows:

- (1) In the event Executive has attained at least the Early Retirement Age at the time of Separation From Service, then Executive Benefit payments shall commence on the first (1st) day of the first (1st) month following the Executive's Separation From Service and shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first (1st) day of the first (1st) month following Executive's Separation From Service and continuing until the death of Executive. The forgoing shall be subject to the Early Commencement Reduction Factor for payments commencing before the Normal Retirement Age. In addition to the forgoing, the annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first (1st) anniversary of the first (1st) Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.
- (2) In the event Executive has not yet attained the Early Retirement Age as of the date of Separation From Service, then the Executive Benefit defined above in Paragraph 5.4A shall be paid out as an Actuarial Equivalent value, assuming a lifetime benefit with a payment commencement date of the first (1st) day of the first (1st) month following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) annual increase in Executive Benefit amounts. This Actuarial Equivalent amount shall be paid in one (1) lump sum one (1) year following Separation From Service.

5.5 Disability.

A. Benefit Amount. Subject to the provisions of Article VI below, in the event that Executive becomes Disabled prior to Separating From Service, then upon such Disability, Executive shall be entitled to receive one (1) of the following amounts, depending on circumstances:

- (1) In the event Executive becomes Disabled prior to attaining the Normal Retirement Age, then Executive shall be entitled to be paid a lump sum amount equal to the Actuarial Equivalent value of the following: a lifetime benefit with annual payments equal to the Applicable Percentage that Executive would have achieved had he remained employed until the Normal Retirement Age, multiplied by the Target Benefit Amount, and assuming a payment commencement date of the

Normal Retirement Age, and factoring in a two percent (2%) annual increase in Executive Benefit amounts. In addition, for the purposes of this provision, the Target Benefit Amount shall be determined based on the following assumptions: it shall be assumed that for each year following Executive becoming Disabled, Executive's Base Salary will increase annually at a rate of three percent (3%) each year on anniversary of Executive's date of hire until such time as Executive attains the Normal Retirement Age.

- (2) In the event Executive becomes Disabled after attaining the Normal Retirement Age, then the Executive shall be entitled to be paid a lump sum amount equal to the Actuarial Equivalent value of the following: a lifetime benefit with annual payments equal to the Applicable Percentage (as of the date of Separation from Service) of the Target Benefit Amount, assuming a payment commencement date of the date of Disability, and factoring in a two percent (2%) annual increase in Executive Benefit amounts.

B. Benefit Payments. All amounts due as a result of Disability shall be paid in one (1) lump sum on the first (1st) day of the first (1st) month following Disability.

5.6 Termination For Cause. In the event Executive is Terminated For Cause at any time after the effective date of this Agreement, then he shall forfeit any and all rights and benefits he may have under the terms of this Agreement and shall have no right to be paid any of the amounts which would otherwise be due or paid to the Executive by the Bank pursuant to the terms of this Agreement.

5.7 Death.

A. Benefit Amount and Payment.

- (1) Death prior to Separation From Service. In the event Executive dies prior to Separating From Service, then there are no death benefits payable under this Agreement. Any such benefits would be payable pursuant to a Split Dollar Life Insurance Agreement, if any exists.
- (2) Death after Separation From Service and after becoming entitled to receive payment, but prior to receiving any or all such payments. In the event Executive dies after Separating From Service and after becoming entitled to the benefits specified under this Agreement, then payments shall only be made following Executive's death if Executive has elected a joint and survivor payment option.

ARTICLE VI

NON-COMPETITION AND NON-SOLICITATION/NON-INTERFERENCE; FORFEITURE IN THE EVENT OF BREACH; MANDATORY ARBITRATION

6.1 Non-Competition. Notwithstanding any other provision of this Agreement, the Executive Benefit due pursuant to the provisions of Paragraphs 5.1, 5.2, 5.3, 5.4A(2), and 5.5 shall be forfeited and no Executive Benefit shall be due Executive hereunder if Executive enters into any Competitive Activity on behalf of a Conflicting Organization in Employer's Market Area during Executive's employment or within the two (2) year period following the date of Executive's Separation From Service.

6.2 Non-Solicitation. The restrictions in Paragraph 6.1 also include without limitation, for a period of two (2) years following the date of Executive's Separation from Service, Executive shall not solicit, directly or indirectly, on behalf of a Conflicting Organization in Employer's Market Area, any customer, client, or employee of Employer. Specifically, Executive may not, directly or indirectly:

- A. Solicit, or attempt to solicit, induce, invite, encourage, recommend, request, or participate in recruiting any client or customer of Employer to terminate or change the client or customer's relationship with Employer, including without limitation, transferring the client or customer's business to a Conflicting Organization; or
- B. Solicit or attempt to solicit, induce, invite, encourage, recommend, request, or participate in recruiting any employee, current or future, of Employer, to leave employment with Employer in order to participate, as an employee or otherwise, in any manner in Competitive Activity for a Conflicting Organization, or to hire or cause to be hired or assist in the hiring of Employer's current or future employees by a Conflicting Organization, or provide information to any third party to suggest, encourage, aid or facilitate such solicitation, inducement, recruitment or hiring.

Solicitation prohibited under this Paragraph 6.2 includes solicitation by any means, including, without limitation, meetings, phone calls, letters or other mailings, and electronic and internet communications of any kind, or any other type of conduct intended or reasonably calculated to induce or urge a client, customer, or employee to discontinue, in whole or in part, its employment or business relationship with Employer.

6.3 Injunctive Relief. Executive acknowledges and agrees that Employer has a legitimate business interest in enforcement of the restrictions in this Article VI, including without limitation, Employer's need to protect the goodwill of Employer's business, Employer's client relationships, the stability of Employer's workforce, and other such legitimate business interests.

In the event that Executive breaches or threatens to breach, or Employer reasonably believes that Executive is about to breach the obligations of this Article, Executive acknowledges and agrees that Employer shall be entitled to obtain injunctive relief in state or federal court, in addition to, and not in lieu of, any other legal or equitable rights and remedies available to Employer. Executive acknowledges and agrees that Employer will suffer immediate and irreparable harm from such breach or threatened breach and that money damages will not be adequate to compensate Employer or to protect and preserve the status quo.

6.4 Enforceability. If an arbitrator or a court of competent jurisdiction shall find any provision of this Article VI illegal or unenforceable, the arbitrator or court may reform such provision to the extent necessary to render the otherwise unenforceable provision, and the rest of the Agreement, valid and enforceable, and so as to permit maximum restrictions that are legal and enforceable to be applied to the Executive's ability to compete with Employer. If an arbitrator or court declines to amend any such provision as provided herein, the invalidity or unenforceability of any such provision shall not affect the validity or enforceability of the remaining provisions, which shall be enforced as if the offending provision had not been included in this Agreement.

6.5 Excuse/Reimbursement Right. To the extent that Executive is paid an Executive Benefit under this Agreement and breaches this provision, Employer shall not only be excused from paying any future benefit, but Employer shall have the right to seek reimbursement for all amounts previously paid out under this Agreement, to the extent allowed by law.

6.6 Arbitration. All controversies and claims arising under or relating to this Article VI, including the scope of this mandatory arbitration provision, shall be submitted to binding arbitration before a single arbitrator to be selected by the parties. Notice of the demand for arbitration shall be in writing and served on the other party to this Plan. Within ten (10) days after notice by one party to the other of its demand for arbitration, the parties shall confer as to the selection of an arbitrator. The arbitration shall be subject to the rules of procedure established by the Employment Arbitration Rules of the American Arbitration Association, and shall be conducted in Tacoma, Washington, unless otherwise agreed to by the parties. The arbitrator shall apply Washington law, without regard to its choice of law principles. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute, or other matter in question would be barred by the applicable statute of limitations. Any award, order or judgment pursuant to the arbitration shall be final and binding upon the parties and their successors and assigns, and may be entered and enforced in any court of competent jurisdiction. The requirements of this Paragraph do not prohibit the filing of a court action by either party for temporary equitable relief in aid of arbitration, and as provided in Paragraphs 6.3 and 6.4 above. Each party irrevocably submits to the exclusive jurisdiction and venue of the federal and state courts of Washington in any legal suit, action or proceeding for purposes of (a) enforcing this arbitration provision, (b) entering and enforcing any award, order, or judgment pursuant to this arbitration provision, and (c) any legal suit, action or proceeding to obtain temporary equitable relief as set forth above.

ARTICLE VII

ADMINISTRATION

7.1 Committee and Duties. This Plan shall be administered by an Administrative Committee which shall consist of not less than three (3) persons appointed by the Board of Directors. Any member of the Committee may be removed at any time by the Board. Any member may resign by delivering his written resignation to the Board. Upon the existence of any vacancy, the Board may appoint a successor. The Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan. A majority of the members of the Committee shall constitute a quorum for the transaction of business. A majority vote of the Committee members constituting a quorum shall control any decision.

7.2 Agents. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to Employer.

7.3 Binding Effect of Decisions. The decision or action of the Committee in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

7.4 Indemnity of Committee. Employer shall indemnify and hold harmless the members of the Committee against any and all claims, loss, damage, expense, or liability arising from any action or failure to act with respect to this Plan, except in the case of gross negligence or willful misconduct.

ARTICLE VIII

CLAIMS PROCEDURE

8.1 Claim. In the event a dispute arises over the benefits under this executive Plan and benefits are not paid to the Executive (or to the Executive's beneficiary[ies], if applicable) and such claimants feel they are entitled to receive such benefits, then a written claim must be made to the Named Fiduciary and Plan Administrator named above in accordance with the following procedures:

- A. **Written Claim.** The claimant may file a written request for such benefit to the Plan Administrator.
- B. **Claim Decision.** Upon receipt of such claim, the Plan Administrator shall respond to such claimant within ninety (90) days after receiving the claim.

If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the response period by an additional ninety (90) days for reasonable cause by notifying the claimant in writing, prior to the end of the initial ninety (90) day period, that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Plan Administrator expects to render its decision.

If the claim is denied in whole or in part, the Plan Administrator shall notify the claimant in writing of such denial. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (i) The specific reasons for the denial;
- (ii) The specific reference to pertinent provisions of the Agreement on which the denial is based;
- (iii) A description of any additional information or material necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary;
- (iv) Appropriate information as to the steps to be taken if the claimant wishes to submit the claim for review and the time limits applicable to such procedures; and
- (v) A statement of the claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

- C. Request for Review. Within sixty (60) days after receiving notice from the Plan Administrator that a claim has been denied (in part or all of the claim), then claimant (or their duly authorized representative) may file with the Plan Administrator, a written request for a review of the denial of the claim.

The claimant (or his duly authorized representative) shall then have the opportunity to submit written comments, documents, records and other information relating to the claim. The Plan Administrator shall also provide the claimant, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits.

- D. Decision on Review. The Plan Administrator shall respond in writing to such claimant within sixty (60) days after receiving the request for review. If the Plan Administrator determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the claimant prior to the termination of the initial sixty (60) day period. In no event shall such extension exceed a period of sixty (60) days from the end of the initial period. The notice of extension must set forth the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render its decision.

In considering the review, the Plan Administrator shall take into account all materials and information the claimant submits relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

The Plan Administrator shall notify the claimant in writing of its decision on review. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (i) The specific reasons for the denial;
- (ii) A reference to the specific provisions of the Agreement on which the denial is based;
- (iii) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits; and
- (iv) A statement of the claimant's right to bring a civil action under ERISA Section 502(a).

- E. Special Timing Rules for Disability Claims. In the event a claim above is a claim for disability benefits, then the applicable time periods for notifying claimants regarding benefits determinations shall be reduced as required by 29 CFR 2560.503-1 (I.e., (a) the ninety (90) day response time with the possibility of a ninety (90) day extension in Section 8.2B shall be shortened to a forty-five (45) day response time with the possibility of a thirty (30) day extension, and (b) the sixty (60) day response time with the possibility of a sixty (60) day extension in shall be shortened to a forty-five (45) day response time with the possibility of a forty-five (45) day extension). In addition, in the event of a disability claim, the Bank shall identify any medical or vocational expert whose advice was obtained by the Plan in connection with the initial benefit determination, without regard to whether the advice was relied upon. If the review is from an adverse benefit determination that was based in whole or in part on a medical judgment, the Bank shall consult with a health care professional that has appropriate training and experience in the field of medicine involved in the medical judgment and who is neither the individual who was consulted in connection with the adverse benefit determination that is under review nor the subordinate of such individual. Any review of the denial of a claim made on account of disability shall be conducted by a person or persons who neither had any part in the initial benefit determination nor are subordinates of the persons who did.

8.2 Arbitration of Disputes. Other than as addressed in Article VI, all unresolved claims, disputes and other matters in question arising out of or relating to this Plan or the breach or interpretation thereof, (including the scope of this mandatory arbitration provision), other than those matters which are to be determined by Employer in its sole and absolute discretion, shall be resolved by binding arbitration before a single arbitrator to be selected by the parties (unless prohibited by ERISA). Notice of the demand for arbitration shall be in writing and served on the other party to this Plan. Within ten (10) days after notice by one party to the other of its demand for arbitration, the parties shall confer as to the selection of an arbitrator. The arbitration shall be subject to the rules of procedure established by the Employment Arbitration Rules of the American Arbitration Association (“AAA”), and shall be conducted in Tacoma, Washington, unless otherwise agreed to by the parties. The arbitrator shall apply Washington law, without regard to its choice of law principles. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations. Any award, order or judgment pursuant to the arbitration shall be final and binding upon the parties and their successors and assigns, and may be entered and enforced in any court of competent jurisdiction. The requirements of this Paragraph do not prohibit the filing of a court action by either party for temporary equitable relief in aid of arbitration. Each party irrevocably submits to the exclusive jurisdiction and venue of the federal and state courts of Washington in any legal suit, action or proceeding for purposes of (a) enforcing this arbitration provision, (b) entering and enforcing any award, order, or judgment pursuant to this arbitration provision, and (c) any legal suit, action or proceeding to obtain temporary equitable relief as set forth above.

8.3 Attorneys’ Fees. In the event of any arbitration or litigation concerning any controversy, claim or dispute between the parties hereto, arising out of or relating to this Agreement or the breach hereof, or the interpretation hereof, to the extent permitted by law (a) each party shall pay his own attorneys’ arbitration and legal fees incurred pursuant to this Agreement; and (b) if Executive prevails, he shall be entitled to recover from the other party reasonable expenses, attorneys' fees and costs incurred in the enforcement or collection of any judgment or award rendered. The term "prevails" applies if the arbitrator(s) or court finds that Executive is entitled to contested money payments from the other, but does not necessarily imply a judgment rendered in favor of Executive.

ARTICLE IX

MISCELLANEOUS

9.1 Unfunded Plan. This Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly compensated employees” within the meaning of Sections 201, 301, and 401 of the Employee Retirement Income Security act of 1974, as amended (“ERISA”), and therefore to be exempt from the provisions of Parts 2, 3, and 4 of Title I ERISA. Accordingly, the Plan shall terminate and no further benefits shall be paid hereunder in the event it is determined by a court of competent jurisdiction or by an opinion of counsel that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA which is not so exempt.

9.2 Status as an Unsecured General Creditor and Rabbi Trust. Notwithstanding anything contained herein to the contrary: (i) the Executive shall have no legal or equitable rights, interests or claims in or to any specific property or assets of Employer as a result of this Agreement; (ii) none of the Employer's assets shall be held in or under any trust for the benefit of the Executive or held in any way as security for the fulfillment of the obligations of the Employer under this Agreement; (iii) all of the Employer's assets shall be and remain the general unpledged and unrestricted assets of the Employer; (iv) the Employer's obligation under this Agreement shall be that of an unfunded and unsecured promise by the Employer to pay money in the future; and (v) the Executive shall be an unsecured general creditor with respect to any benefits which may be payable under the terms of this Agreement.

Notwithstanding subparagraphs (i) through (v) above, the Employer and the Executive acknowledge and agree that, in the event of a Change in Control, upon request of the Executive, or in the Employer's discretion if the Executive does not so request and the Employer nonetheless deems it appropriate, the Employer shall establish, not later than the effective date of the Change in Control, a Rabbi Trust or multiple Rabbi Trusts (the "Trust" or "Trusts") upon such terms and conditions as the Employer, in its sole discretion, deems appropriate and in compliance with applicable provisions of the Code, in order to permit the Employer to make contributions and/or transfer assets to the Trust or Trusts to discharge its obligations pursuant to this Agreement. The principal of the Trust or Trusts and any earnings thereon shall be held separate and apart from other funds of the Employer to be used exclusively for discharge of the Employer's obligations pursuant to this Agreement and shall continue to be subject to the claims of the Employer's general creditors until paid to the Executive in such manner and at such times as specified in this Agreement.

9.3 Non-assignability. Neither Executive nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and nontransferable. No part of the amount payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by Executive or any other person, nor be transferable by operation of law in the event of Executive's or any other person's bankruptcy or insolvency.

9.4 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between Employer and the Executive, and the Executive (or his beneficiary, if applicable) shall have no rights against Employer except as may otherwise be specifically provided herein. Moreover, nothing in this Plan shall be deemed to give Executive the right to be retained in the service of Employer or to interfere with the right of Employer to discipline or discharge him at any time.

9.5 Protective Provisions. Executive will cooperate with Employer by furnishing any and all information requested by Employer, in order to facilitate the payment of benefit hereunder, and by taking such physical examinations as Employer may deem necessary and taking such other action as may be requested by Employer.

9.6 Terms. Whenever any words are used herein in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or singular, as the case may be, in all cases where they would so apply.

9.7 Captions. The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

9.8 Governing Law. The provisions of this Plan shall be construed, interpreted, and governed in all respects in accordance with applicable federal law and, to the extent not preempted by such federal law, in accordance with the laws of the State of Washington.

9.9 Binding Effect/Merger or Reorganization. This Agreement shall be binding upon and inure to the benefit of the Executive and the Bank. Accordingly, the Bank shall not merge or consolidate into or with another corporation, or reorganize or sell substantially all of its assets to another corporation, firm or person, unless and until such succeeding or continuing corporation, firm or person agrees to assume and discharge the obligations of the Bank under this Agreement. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of Employer, and successors of any such corporation or other business entity.

9.10 Nonwaiver. The failure of either party to enforce at any time or for any period of time any one or more of the terms or conditions of this Agreement shall not be a waiver of such term(s) or condition(s) or of that party's right thereafter to enforce each and every term and condition of this Agreement.

9.11 Partial Invalidity/Severability. If any term, provision, covenant, or condition of this Agreement is determined by an arbitrator or a court, as the case may be, to be invalid, illegal, void, or unenforceable, then such term, provision, covenant, or condition shall be deemed ineffective and unenforceable and shall be deemed separable from the remaining provisions of this Agreement. Further, such determination shall not render any other term, provision, covenant illegal, void or unenforceable, and the remaining terms, provisions, covenants, and conditions of the Agreement shall remain in full force and effect notwithstanding such partial invalidity.

9.12 Entire Agreement. Each party to this Agreement acknowledges that no other representations, inducements, promises, or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not set forth herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding on either party. Executive and the Employer understand, acknowledge and agree that Executive and the Employer have entered into other agreements that contain either change-in-control terms or restrictive covenants, including without limitation a Change in Control Agreement. The parties understand, acknowledge and agree that the terms of this Agreement are not intended by Executive or the Employer, and shall not be interpreted by any party, court or arbitrator to, supersede, modify, amend, change, negate, cancel or render null or void any other change-in-control terms or restrictive

covenants between the parties contained in any such other agreements (or any amendments or restatements thereof).

9.13 Modifications. Any modification of this Agreement shall be effective only if it is in writing and signed by each party or such party's authorized representative, and only to the extent that it is compliant with all applicable codes and statutes, including but not limited to IRC 409A.

9.14 Notice. Any notice required or permitted of either the Executive or the Bank under this Agreement shall be deemed to have been duly given, if by personal delivery, upon the date received by the party or its authorized representative; if by facsimile, upon transmission to a telephone number previously provided by the party to whom the facsimile is transmitted as reflected in the records of the party transmitting the facsimile and upon reasonable confirmation of such transmission; and if by mail, on the third day after mailing via U.S. first class mail, registered or certified, postage prepaid and return receipt requested, and addressed to the party at the address given below for the receipt of notices, or such changed address as may be requested in writing by a party.

If to the Bank: Columbia State Bank
1301 A Street
Tacoma, WA 98402
Attention: Corporate Secretary/Cathleen Dent

If to the Executive: Clinton E. Stein
13316 SE 333rd Court
Auburn, WA 98092

9.15 IRS Section 280G Issues . If all or any portion of the amounts payable to the Executive under this Agreement, either alone or together with other payments which the Executive has the right to receive from Employer, constitute "excess parachute payments" within the meaning of Section 280G of the Code that are subject to the excise tax imposed by Section 4999 of the Code (or similar tax and/or assessment), Executive shall be responsible for the payment of such excise tax and Employer (and its successor) shall be responsible for any loss of deductibility related thereto; provided, however, that Employer and Executive shall cooperate with each other and use all reasonable efforts to minimize to the fullest extent possible the amount of excise tax imposed by Section 4999 of the Code, but only to the extent that any agreement to minimize the impact of the Section 4999 excise tax shall comply in all respects with all applicable laws, including IRC 409A and regulations thereunder. If, at a later date, it is determined (pursuant to final regulations or published rulings of the Internal Revenue Service, final judgment of a court of competent jurisdiction, or otherwise) that the amount of excise taxes payable by the Executive is greater than the amount initially so determined, then Executive shall pay an amount equal to the sum of such additional excise taxes and any interest, fines and penalties resulting from such underpayment. The determination of the amount of any such excise taxes shall be made by the independent accounting firm employed by Employer immediately prior to the change in control or such other independent accounting firm or advisor as may be mutually agreeable to Employer and Executive in the exercise of their reasonable good faith judgment.

9.16 Opportunity To Consult With Independent Advisors. The Executive acknowledges that he has been afforded the opportunity to consult with independent advisors of his choosing including, without limitation, accountants or tax advisors and counsel regarding both the benefits granted to him under the terms of this Agreement and the (i) terms and conditions which may affect the Executive's right to these benefits and (ii) personal tax effects of such benefits including, without limitation, the effects of any federal or state taxes, Section 280G of the Code, and any other taxes, costs, expenses or liabilities whatsoever related to such benefits, which in any of the foregoing instances the Executive acknowledges and agrees shall be the sole responsibility of the Executive notwithstanding any other term or provision of this Agreement. The Executive further acknowledges and agrees that the Bank shall have no liability whatsoever related to any such personal tax effects or other personal costs, expenses, or liabilities applicable to the Executive and further specifically waives any right for himself or herself, and his or her heirs, beneficiaries, legal representatives, agents, successor and assign to claim or assert liability on the part of the Bank related to the matters described above in this paragraph. The Executive further acknowledges that he has read, understands and consents to all of the terms and conditions of this Agreement, and that he enters into this Agreement with a full understanding of its terms and conditions.

EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE HAS RECEIVED AND READ OR HAS HAD THE OPPORTUNITY TO READ THIS AGREEMENT, INCLUDING WITHOUT LIMITATION THE AGREEMENTS TO ARBITRATION OF DISPUTES UNDER PARAGRAPHS 6.6 AND 8.2. EXECUTIVE ACKNOWLEDGES AND UNDERSTANDS THAT THIS AGREEMENT TO ARBITRATION OF DISPUTES REQUIRES THAT DISPUTES THAT INVOLVE THE MATTERS SUBJECT TO THE AGREEMENT BE SUBMITTED TO MEDIATION OR ARBITRATION PURSUANT TO THE ARBITRATION AGREEMENT RATHER THAN TO A JUDGE AND JURY IN COURT.

COLUMBIA STATE BANK

By: /s/ MELANIE J. DRESSEL
Authorized Executive
Title: President and Chief Executive Officer

Date: February 27, 2015

/s/ CLINT E. STEIN February 26, 2015
Executive- Signature and Date

Clint E. Stein
Print Name

EXHIBIT A
TO THE FIRST AMENDED AND RESTATED COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR CLINTON E. STEIN

The following table is intended ONLY to demonstrate Executive's projected salary at various times and based on the assumptions below. This table does not address actual benefits to be paid based on the varying circumstances of Separation From Service, Change in Control, etc., or based on benefits being paid out prior to attainment of the Early Retirement Age, paid out as actuarial equivalent amounts or reduced by the Early Commencement Reduction Factor. In addition, this table does not address the limiting language contained in the definition of Target Benefit Amount, such that the Target Benefit Amount is defined as the "60% of the average of Executive's three highest years of Base Salary".

Date of Separation from Service	Projected Salary (1)	Three Year Average	60% of Salary	Applicable Percentage	Adjusted Benefit (2)
December 6, 2013 thru December 5, 2014	\$320,000	\$ 244,333	\$146,600	40%	\$ 58,640
December 6, 2014 thru December 5, 2015	\$329,600	\$ 299,866	\$179,920	45%	\$ 80,964
December 6, 2015 thru December 5, 2016	\$339,488	\$ 329,696	\$197,818	50%	\$ 98,909
December 6, 2016 thru December 5, 2017	\$349,673	\$ 339,587	\$203,752	55%	\$112,064
December 6, 2017 thru December 5, 2018	\$360,163	\$ 349,774	\$209,865	60%	\$125,919
December 6, 2018 thru December 5, 2019	\$370,968	\$ 360,268	\$216,161	65%	\$140,504
December 6, 2019 thru December 5, 2020	\$382,097	\$ 371,076	\$222,645	70%	\$155,852
December 6, 2020 thru December 5, 2021	\$393,560	\$ 382,208	\$229,325	75%	\$171,994
December 6, 2021 thru December 5, 2022	\$405,366	\$ 393,674	\$236,205	80%	\$188,964
December 6, 2022 thru December 5, 2023	\$417,527	\$ 405,484	\$243,291	85%	\$206,797
December 6, 2023 thru December 5, 2024	\$430,053	\$ 417,649	\$250,589	90%	\$225,530
December 6, 2024 thru December 5, 2025	\$442,955	\$ 430,178	\$258,107	95%	\$245,202
December 6, 2025 thru December 5, 2026	\$456,243	\$ 443,084	\$265,850	100%	\$265,850
December 6, 2026 thru December 5, 2027	\$469,931	\$ 456,376	\$273,826	100%	\$273,826
December 6, 2027 thru December 5, 2028	\$484,029	\$ 470,068	\$282,041	100%	\$282,041
December 6, 2028 thru December 5, 2029	\$498,550	\$ 484,170	\$290,502	100%	\$290,502
December 6, 2029 thru December 5, 2030	\$513,506	\$ 498,695	\$299,217	100%	\$299,217
December 6, 2030 thru December 5, 2031	\$528,911	\$ 513,656	\$308,193	100%	\$308,193
December 6, 2031 thru December 5, 2032	\$544,779	\$ 529,065	\$317,439	100%	\$317,439
December 6, 2032 thru December 5, 2033	\$561,122	\$ 544,937	\$326,962	100%	\$326,962
December 6, 2033 thru December 5, 2034	\$577,956	\$ 561,285	\$336,771	100%	\$336,771
December 6, 2034 thru December 5, 2035	\$595,294	\$ 578,124	\$346,874	100%	\$346,874
December 6, 2035 thru December 5, 2036	\$613,153	\$ 595,468	\$357,281	100%	\$357,281
December 6, 2036 and thereafter	\$631,548	\$ 613,332	\$367,999	100%	\$367,999

(1) Salary projected to grow annually at 3%.

(2) The above chart is intended for illustrative purposes only and does not reflect any Early Commencement Reduction Factor.

These numbers are provided for illustration purposes only and are in no way a guarantee of salary, benefits or amounts due under this agreement. The assumptions used to calculate these amounts will only be determined at the time benefits become due, and thus there can be no guarantee of salary or benefits at the time this agreement is put into place.

EXHIBIT B
TO THE FIRST AMENDED AND RESTATED COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR CLINTON E. STEIN

DISTRIBUTION ELECTION FORM

Pursuant to the terms of the Supplemental Executive Compensation Agreement, by and between me, Clinton E. Stein, and Columbia State Bank (hereinafter “Bank”), effective as of June 1, 2013 (“Original Agreement”), and thereafter as amended by the First Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement (“Agreement”), I have been granted a supplemental compensation benefit. Terms which are “defined terms” in the Agreement shall have the same meaning within this Distribution Election Form.

Pursuant to IRC 409A, there are multiple restrictions and limitations regarding modifying the time and/or form of such payments; however an exception to these restrictions permits elections to change from a life annuity to another actuarially equivalent life annuity (prior to payments beginning).

In the event no alternate method is selected above, then amounts due under this Agreement shall be paid out as a single life annuity based on the life of Participant. Subject to the forgoing, and provided that payments have not yet begun, Executive may elect to have the Executive Benefit paid as follows:

Election of Actuarial Equivalent of Form of Benefit For Married Participant or Participant with Domestic Partner. Pursuant to the terms of the Agreement, and consistent with IRC 409A, instead of having my benefit paid as a single life annuity, with payments continuing until my death, I elect to have my benefit paid to me as designated below:

- _____ A joint and survivor annuity with an actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse (registered domestic partner) in the same amount as the amount paid to me.

- _____ A joint and survivor annuity in equal value to the actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to my surviving spouse (registered domestic partner) in one-half of the amount paid to me.

Acknowledgment of Limitations on Changes in Time and Form of Payment of Benefits . All Actuarially Equivalent valuations must be in compliance with IRC 409A and 1.409A-2(b)(2)(ii). In addition, when determining whether two life annuities are Actuarially Equivalent, the same actuarial assumptions and methods must be used in valuing each life annuity. This requirement applies over the entire term of Participant's participation in the Plan, such that the annuities must be actuarially equivalent at all times for the annuity options to be treated as one time and form of payment. However, provided the actuarial methods and assumptions are reasonable, there is no requirement that consistent actuarial assumptions and methods be used over the term of Participant's participation in the Plan. Accordingly, the Plan may change the actuarial assumptions and methods used to determine the life annuity payments, provided that all of the actuarial assumptions and methods are reasonable.

In the event, however, that a joint and survivor annuity option is selected, and that Participant's spouse predeceases Participant, then for all payments made to Participant after Participant's spouse's death, the amounts payable under this Agreement shall increase and be equal to the payment amounts Participant would have received under a single life annuity option. In addition, Participant shall no longer have the ability to make a new joint and survivor annuity election.

In the event no alternate method is selected above, then amounts due under this Agreement shall be paid out as a single life annuity.

EXECUTIVE: _____ Print Name: _____

Dated: ____

**EXHIBIT C
TO THE FIRST AMENDED AND RESTATED
COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR CLINTON E. STEIN**

The following figures are provided ONLY as an example of potential benefit amounts in the event Executive Separates From Service at Normal Retirement Age:

Annual Payment Single Life Annuity Option (Executive's lifetime only): \$367,999.

Election of the joint and survivor annuity with an actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse in the same amount as the amount paid to the Executive might result in an annual benefit of \$306,045.

Election of the joint and survivor annuity in equal value to the actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse in one-half of the amount paid to Executive might result in an annual benefit of \$334,175 paid to Executive during their lifetime, with a benefit of \$167,087 being paid to Executive's spouse upon Executive's death.

THESE NUMBERS ARE PROVIDED FOR ILLUSTRATION PURPOSES ONLY AND ARE IN NO WAY A GUARANTEE OF BENEFITS OR AMOUNTS. IN ADDITION, THESE NUMBERS DO NOT REFLECT ANY REDUCTION/FORFEITURE REQUIRED AS A RESULT OF BENEFITS PROVIDED UNDER ADDITIONAL AGREEMENTS.

THE ASSUMPTIONS USED TO CALCULATE ACTUAL BENEFITS WILL ONLY BE DETERMINED AT THE TIME BENEFITS BECOME DUE, AND THUS THERE CAN BE NO GUARANTEE OF ANNUITY AMOUNTS AT THE TIME THIS AGREEMENT IS PUT INTO PLACE.

EXHIBIT D
TO THE FIRST AMENDED AND RESTATED
COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR CLINTON E. STEIN

Supplemental Compensation Agreement dated January 22, 2008

**FIRST AMENDED AND RESTATED COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
(By and Between Columbia State Bank and Andrew L. McDonald)**

ARTICLE I

PURPOSE AND EFFECTIVE DATE

This First Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement (hereinafter "Agreement"), entered into this February 27, 2015 by and between **Columbia State Bank** (hereinafter "Bank" or "Employer") and Andrew L. McDonald (hereinafter "Executive" or "Participant"), is intended to amend, supersede and replace, in its entirety, the Columbia State Bank Supplemental Executive Retirement Plan Agreement, effective as of June 1, 2013 ("Original Agreement").

The purpose of this Columbia State Bank Supplemental Executive Retirement Plan (hereinafter the "Plan") is to provide supplemental retirement benefits for certain key employees of the Bank. It is intended that the Plan will aid in retaining and attracting individuals of exceptional ability by providing them with these benefits.

WHEREFORE, the Bank and Executive hereby agree to the following;

ARTICLE II

DEFINITIONS

For the purposes of this Agreement, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Furthermore, in the event of any ambiguity or in the event any clarification is required, the below terms shall be interpreted in a manner consistent with Internal Revenue Code Section 409A.

2.1 Actuarial Equivalent. The term "Actuarial Equivalent" means equivalence in value between two (2) or more forms and/or times of payment based on a determination by an actuary chosen by the Committee, utilizing the "applicable interest rate" specified by Internal Revenue Code Section 417(e)(3)(C) as of the date of Executive's Separation of Service or Disability, and the "applicable mortality table" specified in Code Section 417(e)(3)(B).

2.2 Administrator. The Bank shall be the "Administrator" and, solely for the purposes of ERISA (as defined below), the "fiduciary" of this Agreement where a fiduciary is required by ERISA.

2.3 Applicable Percentage. The term "Applicable Percentage" is the percentage of the Executive Benefit to which Executive may be entitled based on (a) the date on which the Executive Separates From Service or Terminates Employment with the Bank or (b) the

circumstances described herein. Subject to the forgoing, the Applicable Percentage shall be as follows:

DATE OF SEPARATION FROM SERVICE	APPLICABLE PERCENTAGE
June 1, 2004 thru June 1, 2007	0%
June 2, 2007 thru June 1, 2008	15%
June 2, 2008 thru June 1, 2009	20%
June 2, 2009 thru June 1, 2010	25%
June 2, 2010 thru June 1, 2011	30%
June 2, 2011 thru June 1, 2012	35%
June 2, 2012 thru June 1, 2013	40%
June 2, 2013 thru June 1, 2014	45%
June 2, 2014 thru June 1, 2015	50%
June 2, 2015 thru June 1, 2016	55%
June 2, 2016 thru June 1, 2017	60%
June 2, 2017 thru June 1, 2018	65%
June 2, 2018 thru June 1, 2019	70%
June 2, 2019 thru June 1, 2020	75%
June 2, 2020 thru June 1, 2021	80%
June 2, 2021 thru June 1, 2022	85%
June 2, 2022 thru June 1, 2023	90%
June 2, 2023 thru June 1, 2024	95%
June 2, 2024 and Thereafter	100%

2.4 Base Salary. "Base Salary" shall mean the regular cash compensation actually paid to Executive for services rendered or labor performed by Executive during a given calendar year, excluding bonuses, commissions, overtime, incentive payments, non-monetary awards. This amount shall include amounts Executive could have received in cash in lieu of (i) contributions made on Executive's behalf to a qualified plan maintained by the Bank or to any cafeteria plan under Section 125 of the Code maintained by Employer and (ii) deferrals of compensation made at the Executive's election pursuant to a plan or arrangement of the Employer.

2.5 Board. "Board" means the Board of Directors of Columbia State Bank.

2.6 Change in Control. For the purpose of this Agreement, a Change in Control shall be defined in a manner consistent with IRC 409A. Currently IRC provides a definition consistent with the following (and for the purposes of this provision, the term "corporation" shall mean Columbia State Bank as defined above):

- A. Change in the Ownership of a Corporation. A change in the ownership of a corporation occurs on the date that any one person or persons acting as a group (as defined in IRC 409A), acquires ownership of stock of the

corporation that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of such corporation. The acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the corporation.

B. Change in the Effective Control of a Corporation. A change in the effective control of the corporation shall be deemed to occur on either of the following dates:

(i) The date any one person, or persons acting as a group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the corporation possessing thirty percent (30%) or more of the total voting power of the stock of such corporation; or

(ii) The date a majority of members of the corporation's board of directors is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the corporation's board of directors before the date of the appointment or election.

C. Change in the Ownership of a Substantial Portion of a Corporation's Assets. A change in the ownership of a substantial portion of a corporation's assets shall be deemed to occur on the date that any one person or group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the corporation that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the corporation immediately before such acquisition or acquisitions. No Change in Control shall result if the assets are transferred to certain entities controlled directly or indirectly by the shareholders of the transferring corporation.

In addition, to constitute a change in control event with respect to the Executive, the change in control event must relate to (i) the corporation for whom Executive is performing services at the time of the Change in Control; (ii) The corporation that is liable for the payment of the amounts described herein (or all corporations liable for the payment if more than one corporation is liable) but only if either the deferred compensation is attributable to the performance of service by the Executive for such corporation(s) or there is a bona fide business purpose for such corporation(s) to be liable for such payment and, in either case, no significant purpose of making such corporation(s) liable for such payment is the avoidance of Federal income tax; or (iii) a corporation that is a majority shareholder of a corporation identified in (i) or (ii) above, or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in (i) or (ii) above.

2.7 The Code. The "Code" shall mean the Internal Revenue Code of 1986, as amended.

2.8 Committee. The term "Committee" means the Compensation Committee of the Board of Directors of Columbia State Bank.

2.9 Competitive Activity. For the purposes of this Agreement, "Competitive Activity" is defined as acting directly or indirectly as an employee, agent, stockholder (other than passive holdings of less than two percent (2%) of the outstanding shares of a publicly-traded company), member, officer, director, co-partner, advisor, or in any other individual or representative capacity, on behalf of any "Conflicting Organization."

2.10 Conflicting Organization. For purposes of this Agreement, "Conflicting Organization" is defined as any person, entity, or organization engaged (or about to become engaged) in a business similar to, or that competes with, the business of Employer, including without limitation any bank or financial institution (including without limitation any trust company, finance company, or leasing company).

2.11 Disability/Disabled. For the purposes of this Agreement, Executive will be considered Disabled if it is determined (in a manner consistent with IRC 409A) that Executive is Disabled within the meaning of IRC 409A. Currently, IRC 409 provides the following definition of Disability:

- A. The Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or
- B. The Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Employee's employer.

In the event a disability policy has been purchased by Employer for Executive, then the individual or entity responsible for determining such disability thereunder shall determine Executive's Disability under this Agreement (using the forgoing Disability definition). In the event no such disability policy exists, then the Plan Administrator shall make a good faith determination of Disability in a manner consistent with that required under IRC 409A.

2.12 Early Commencement Reduction Factor. The term "Early Commencement Reduction Factor" is the amount by which an Executive Benefit shall be reduced based on the benefit being paid prior to Executive's attainment of the Normal Retirement Age. The amount of the Early Commencement Reduction Factor shall be determined as follows: for each year (or partial year) that an Executive's benefit hereunder is paid prior to his attainment of the Normal Retirement

Age, then the benefit amount shall be reduced, on a pro rata basis, by a factor of five percent (5%). Thus, if an executive with a Normal Retirement Age of sixty-five (65) begins receiving payments at age sixty-two and one half (62 ½), the amount of the annual benefit shall be reduced by 12.5% ($65 - 62 \frac{1}{2} = 2.5$; $2.5 \times 5\% = 12.5\%$).

2.13 Early Retirement Age. The “Early Retirement Age” shall be age fifty-five (55).

2.14 Effective Date. The term “Effective Date” shall mean the date first written above.

2.15 Employer or Bank. The term “Employer” or “Bank” shall mean Columbia State Bank, any subsidiaries or affiliates thereof, or any successors thereto.

2.16 Employer’s Market Area . For the purposes of this Agreement, “Employer’s Market Area” is defined as including the following locations, either during Executive’s employment or at the time of Executive’s Separation From Service or Disability:

- A. Any counties in the States of Washington, Oregon or Idaho in which Employer maintains a branch or other office, and all counties bordering on any such county, or
- B. Any counties in other States in which Employer maintains a branch or other office at the time of Executive’s Separation From Service or Disability, and all counties bordering on any such county, or
- C. Any other county in which Employer has bona fide documented plans to establish a branch or office, as demonstrated by minutes of board of director meetings, regulatory correspondence, or other written communications with third parties (including legal or financial advisers) with respect to such geographic expansion, and of which Executive is aware due to his employment with Employer.

Executive acknowledges that Employer currently has operations in various counties within the states of Washington, Oregon or Idaho that Employer plans to continue to expand its operations and presence within these states and other states, and that as a member of Employer’s senior management, Executive’s services are integral to these operations and expansion plans.

2.17 ERISA. The term "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

2.18 Executive Benefit. For the purposes of this Agreement, then term “Executive Benefit” shall refer to the annual amount to which Executive is entitled to receive pursuant to this Agreement. In addition, where the Executive Benefit is defined in terms of a lifetime annuity, Executive shall have the right under IRC 409A to elect an alternate annuity payment method, as specified herein. Amounts actually received by the Executive, however, shall be determined pursuant to Paragraphs 1 through 5 (including sub-paragraphs, as applicable), forfeited, reduced or adjusted

to the extent: (a) required under the other provisions of this Agreement; (b) required by reason of the lawful order of any regulatory agency or body having jurisdiction over Employer; or (c) required in order for Employer to comply with any and all applicable state and federal laws, including, but not limited to, income, employment and disability income tax laws (e.g., FICA, FUTA, SDI).

2.19 Involuntary Termination/ Involuntary Separation From Service . The terms “Involuntary Termination” or “Involuntary Separation From Service” shall be defined as it is in IRC 409A, which currently provides that an “Involuntary” Termination shall mean a Separation From Service due to the independent exercise of the unilateral authority of the Employer to terminate the Executive’s services, other than due to the Executive’s implicit or explicit request, where the Executive was willing and able to continue performing services (and not as the result of a Disability of a Termination For Cause).

2.20 IRC 409A. The term “IRC 409A” shall refer to the final regulations issued by the IRS and the Treasury Department under Section 409A of the Code, and shall be deemed to include all related guidance issued.

2.21 Normal Retirement / Normal Retirement Age. The term "Normal Retirement" shall mean the Executive’s Separation From Service on or after attaining the Normal Retirement Age of sixty-five (65) and for reasons other than a Termination for Cause, because of a Disability, or pursuant to the provisions of Paragraph 5.4.

2.22 Participant/Executive. For the purpose of this Agreement, the terms “Executive” and “Participant” shall be interchangeable.

2.23 Remain Employed. For the purpose of this Agreement, the term “Remain(s) Employed” shall mean that Executive has not experienced a Separation From Service.

2.24 Separation From Service/ Termination of Employment. The terms “Separation From Service” (“Separates From Service”) and “Termination of Employment” shall be used interchangeably for the purposes of this Agreement and shall be interpreted in accordance with the provisions of IRC 409A. Currently, IRC 409A provides that whether a termination of employment has occurred is determined based on whether the facts and circumstances indicate that the Bank and the Executive reasonably anticipate that no further services will be performed after a certain date or that the level of bona fide services the employee will perform after such date (whether as an employee or as an independent contractor) will permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed (as an employee or an independent contractor) over the immediately preceding thirty-six (36) month period (or the full period of services to the Employer if the employee has been providing services to the employer less than 36 months). There shall be no Separation From Service while the Executive is on military leave, sick leave or other bona fide leave of absence, as long as such leave does not exceed six (6) months, or if longer, so long as the individual retains a right to re-employment with the service recipient under an applicable statute or by contract.

2.25 Specified Employee. The term “Specified Employee” shall be defined in accordance with IRC 409A, which states that a “Specified Employee” is an employee who, as of the date of the employee’s Separation From Service, is a key employee of an employer of which any stock is

publicly traded on an established securities market or otherwise. An employee is a key employee if the employee meets the requirements of section 416(i)(1)(A)(i), (ii), or (iii) (applied in accordance with the regulations thereunder and disregarding section 416(i)(5)) at any time during the twelve (12) month period ending on a specified employee identification date. If Executive is a key employee as of a specified employee identification date, then Executive shall be treated as a key employee for the entire twelve (12) month period beginning on the specified employee effective date.

2.26 Target Benefit Amount. For the purposes of this Agreement, the “Target Benefit Amount” shall be an amount equal to sixty percent (60%) of the average of Executive’s three (3) highest years of Base Salary (as of the date of Separation From Service or Disability). For illustrative purposes only, attached hereto and incorporated by reference herein as “Exhibit A” is an illustration of Executive’s projected salary and potential benefit under this Agreement. This illustration is in no way a guarantee of benefits, salary or benefit amounts, but rather is intended to provide a framework for understanding potential benefits provided hereunder. Furthermore, this illustration in Exhibit A is based on certain assumptions which may or may not be accurate at the time a benefit is due or vests.

2.27 Termination For Cause. The term “Termination For Cause” shall be defined as it is in any current employment agreement between Employer and Executive. In the event no such employment agreement exists, a Termination For Cause shall be defined as a Termination because of any of the following:

- A. Willful misfeasance or gross negligence;
- B. Conduct demonstrably and significantly harmful to Employer or a financial institution subsidiary;
or
- C. Conviction of a felony.

2.28 Termination For Good Reason. A termination shall be deemed to be for Good Reason if after a Change of Control, Executive Separates From Service on or after the occurrence of any of the below events, and such events occur without the Executive’s consent:

- A. A material diminution in the Executive’s total compensation;
- B. A material diminution in the Executive’s authority, duties, or responsibilities;
- C. A material change in the geographic location at which Employee must perform services (within the meaning of Treasury Regulations Section 1.409A-1(n)(2)(ii)(A)(5)), provided that in no event shall a change in geographic location of less than forty-five (45) miles be considered a material change in geographic location for purposes of this Agreement.

In the event of any of the forgoing circumstances, Executive shall provide notice to Employer of the existence of the conditions described above within a period not to exceed ninety (90) days of the initial existence of said condition, upon the notice of which Employer must be provided a period of at least thirty (30) days during which it may remedy the condition. If the condition is not remedied within those thirty (30) days, and Executive Voluntarily Terminates his employment within the two (2) year period following the initial occurrence of one or more of these conditions, then such Separation From Service shall be deemed to have been “For Good Reason”.

2.29 Voluntary Termination. The term “Voluntary Termination” shall mean a Separation From Service elected by the Executive and not as a result of a Disability or For Good Reason.

2.30 Years of Service. The term “Years of Service” shall mean the twelve (12) consecutive month period beginning on June 1, 2004 and any twelve (12) month anniversary thereof, during the entirety of which time Executive is an employee of the Company and has not experienced a Separation From Service. Service with a subsidiary or other entity controlled by the Company before the time such entity became a subsidiary or under such control shall not be considered credited “Service” unless the Plan Administrator specifically agrees to credit such service.

ARTICLE III

SCOPE, PURPOSE AND EFFECT

3.1 Not a Contract of Employment. Although this Agreement is intended to provide Executive with an additional incentive to remain in the employ of Employer, this Agreement shall not be deemed to constitute a contract of employment between Executive and Employer, nor shall any provision of this Agreement restrict or expand the right of Employer to terminate Executive's employment. This Agreement shall have no impact or effect upon any separate written employment agreement which Executive may have with Employer, it being the parties' intention and agreement that unless this Agreement is specifically referenced in said employment agreement (or any modification thereto), this Agreement (and Employer's obligations hereunder) shall stand separate and apart and shall have no effect on or be affected by, the terms and provisions of said employment agreement.

3.2 Fringe Benefit. The benefits provided by this Agreement are granted by the Employer as a fringe benefit to Executive and are not a part of any salary reduction plan or any arrangement deferring a bonus or a salary increase. Executive has no option to take any current payments or bonus in lieu of the benefits provided by this Agreement.

3.3 Prohibited Payments. Notwithstanding anything in this Agreement to the contrary, if any payment made under this Agreement is a “golden parachute payment” as defined in Section 28(k) of the Federal Deposit Insurance Act (12 U.S.C. section 1828(k) and Part 359 of the Rules and Regulations of the Federal Deposit Insurance Corporation (collectively, the “FDIC Rules”) or is otherwise prohibited, restricted or subject to the prior approval of a Bank Regulator, no payment shall be made hereunder without complying with said FDIC Rules.

ARTICLE IV

PAYMENT RESTRICTIONS AND LIMITATIONS

4.1 Delay in Payments for Specified Employee in the Event of a Separation From Service and Compliance With IRC 409A. In the event Executive is a Specified Employee as of the date of a Separation From Service, then a payment conditioned upon a Separation From Service may not be made before the date that is six (6) months after the date of Separation From Service (or, if earlier than the end of the six-month period, the date of death of the Specified Employee).

If payments to which Executive would otherwise be entitled during the first (1st) six (6) months following a Separation From Service are subject to this six (6) month delay in payment, then such payments shall be accumulated and paid on the first (1st) day of the seventh (7th) month following the date of Separation From Service. Payments will then continue thereafter as called for pursuant to the terms of this Agreement.

Notwithstanding any provision existing in this Agreement or any amendment thereto, it is the intent of the Employer and the Executive that any payment or benefit provided pursuant to this Agreement shall be made and paid in a manner, at a time and in a form which complies with the applicable requirements of IRC 409A in order to avoid any unfavorable tax consequences resulting from any such failure to comply.

4.2 Modifying Form of Benefit Payment/Single Life Annuity vs. Joint Life. Subject to the requirement that the methodology for calculation of “Actuarial Equivalence” be consistent with IRC 409A, when the Executive Benefit herein provides for payment as a single life annuity, then, in the alternative, Executive may elect one (1) of two (2) alternative annuity payout methods as presented in “Exhibit B”, the Distribution Election Form. These optional methods consist of joint and survivor annuities with an Actuarial Equivalent value equal to the single life Executive Benefit, with payments continued to the survivor in varying amounts. “Exhibit C”, attached hereto, provides a hypothetical example of how the benefit payments might differ between a single life annuity and a joint life annuity. The benefit payment commencement date and schedule shall otherwise remain unchanged. Any election to use an alternate annuity payment method must be made prior to the payment start date and, other than as addressed herein below, Executive shall not have the ability to modify the form of annuity elected once payments have begun. In the event, however, that a joint and survivor annuity option is elected and the Executive’s spouse pre-deceases Executive, then for all payments made to Executive after the Executive’s spouse’s death, the amounts payable under this Agreement shall increase and be equal to the payment amounts Executive would have received under a single life annuity option. Executive shall not be able then to designate a new spouse and reinstate joint life annuity payments.

4.3 Withholding of Payroll Taxes. Employer shall withhold from payments made hereunder any taxes required to be withheld from Executive's wage under federal, state or local law.

ARTICLE V

PAYMENT OF EXECUTIVE BENEFITS

Executive Benefit payments due hereunder shall be payable under this Agreement pursuant to only one (1) provision herein below. The date and circumstances of Executive's Separation From Service shall determine which paragraph shall be used to calculate the Executive Benefit payment due.

In addition, as all benefit amounts due under both this Agreement and the Supplemental Compensation Agreements dated June 1, 2004, May 24, 2006 and February 28, 2007 (hereafter referred to as "SCA" or "SCAs", attached hereto and incorporated by reference herein as "Exhibit D" and "Exhibit E" and "exhibit F") will be determinable as of Executive's Separation From Service date, the following benefit determination/reduction formula shall be used to determine amounts due hereunder:

In the event any benefit payments due under this Agreement are scheduled to be made simultaneously with payment amounts due Executive pursuant to the SCA(s), then any amount due hereunder shall be reduced by amounts to be paid out pursuant to such SCA(s). For the purposes of this provision, "simultaneous(ly)" shall mean payments due in the same month. Additionally, in the event that payments hereunder are to be made in one (1) lump sum, then any amount paid out hereunder shall be reduced by any amounts already paid out under the terms of the SCA(s), as well as by an amount equal to all amounts still outstanding and due under the terms of the SCA(s). Subject to the forgoing, the Executive Benefits due hereunder shall be as follows:

5.1 Executive Benefit Payments in the Event of Normal Retirement. Subject to the provisions of Article VI below, the Executive Benefit under this provision shall be determined as follows:

- A. Amount of Benefit.** In the event Executive Separates From Service on or after attaining the Normal Retirement Age (and for reasons other than a Termination for Cause, because of a Disability, or pursuant to the provisions of paragraph 5.4 dealing with a Change in Control), then the Executive Benefit shall be an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount. In addition to the forgoing, the annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first (1st) anniversary of the first (1st) Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit.

- B. **Payment Method .** This annual Executive Benefit shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first (1st) day of the first (1st) month following Executive's Separation From Service and continuing until the death of the Executive. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.

5.2 **Executive Benefit Payments on or After Attaining the Early Retirement Age but Before Attaining the Normal Retirement Age.** Subject to the provisions of Article VI below, in the event Executive Separates From Service on or after attaining the Early Retirement Age, but before attaining the Normal Retirement Age, then the Executive Benefit to which Executive is entitled shall be determined as follows:

A. **Amount of Benefit.**

- (1) **Involuntary Termination or Voluntary Termination With Ten (10) Years of Service.** In the event of an Involuntary Termination or a Voluntary Termination by Executive after completing ten (10) Years of Service, either of which occur on or after attaining the Early Retirement Age but before attaining the Normal Retirement Age, then Executive shall be entitled to receive an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount; however this amount shall be reduced by the Early Commencement Reduction Factor. In addition to the forgoing, the annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first (1st) anniversary of the first (1st) Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit.
- (2) **Voluntary Termination Without Ten Years Service.** In the event Executive has not completed ten (10) Years of Service, then upon a Voluntary Separation From Service on or after attaining the Early Retirement Age but before attaining the Normal Retirement Age, Executive shall forfeit all rights and benefits he may have had under the terms of this Agreement.

- B. **Payment Method.** Any Executive Benefit due hereunder shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first (1st) day of the first (1st) month following Executive's Separation From Service and continuing until the death of the Executive. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.

5.3 Executive Benefit Payments in the Event of Involuntary or Voluntary Termination Prior to Attaining the Early Retirement Age. Subject to the provisions of Article VI below, in the event Executive Separates From Service prior to attaining the Early Retirement Age, then the Executive Benefit to which Executive is entitled shall be determined as follows:

A. Benefit Amount.

- (1) Involuntary Termination. In the event Executive is Involuntarily Terminated prior to attaining the Early Retirement Age, then Executive shall be entitled to receive an Executive Benefit equal to the Actuarial Equivalent of the following: a lifetime benefit with an annual amount equal to the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount, assuming a payment commencement date of the first (1st) day of the first (1st) month immediately following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) per year increase in the Executive Benefit amount.
- (2) Voluntary Termination. In the event Executive Voluntarily Terminates employment with the Bank prior to attaining the Early Retirement Age, then the Executive Benefit shall be determined as follows:
 - (a) If Executive has attained an Applicable Percentage of one hundred percent (100%), then he shall be entitled to receive an Executive Benefit equal to the Actuarial Equivalent of the following: a lifetime benefit with an annual amount equal to the Applicable Percentage of the of the Target Benefit Amount, assuming a payment commencement date of the first (1st) day of the first (1st) month immediately following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) per year increase in the Executive Benefit amount.
 - (b) If Executive has not attained an Applicable Percentage of one hundred percent (100%), he shall forfeit any and all rights and benefits he may have under the terms of this Agreement and shall have no right to be paid any of the amounts which would otherwise be due or paid to the Executive by the Bank pursuant to the terms of this Agreement.

B. Payment Method. This Executive Benefit shall be paid in one (1) lump sum one (1) year following Separation From Service.

5.4 Termination Following a Change in Control. Other than amounts due as a result of Disability, then following a Change in Control, this Paragraph 5.4 shall determine the Executive Benefit due in the event of a Separation From Service at any time following such Change in Control.

A. Benefit Amount.

(1) Involuntary Termination or Termination for Good Reason. In the event Executive is Involuntarily Terminated or Terminates for Good Reason following a Change in Control and prior to attaining the Normal Retirement Age, then the Applicable Percentage shall be deemed to be that percentage Executive would have received had he Remained Employed until attaining the Normal Retirement Age. In the event Executive has already attained the Normal Retirement Age at the time of an Involuntary Termination or a Termination for Good Reason following a Change in Control, then Executive's Applicable Percentage shall be determined pursuant to the provisions of Paragraph 2.3. Executive shall then be entitled to receive an annual amount calculated as follows: the Applicable Percentage of the Target Benefit Amount*. Executive shall NOT be subject to the non-compete provisions of Article VI below.

(*As stated in Paragraph 5.4B, whether paid as an annuity or lump sum, this Executive Benefit shall reflect a two percent (2%) annual benefit increase, and when paid as an annuity prior to Normal Retirement, shall be subject to the Early Commencement Reduction Factor).

(2) Voluntary Termination. In the event Executive Voluntarily Separates From Service following a Change in Control, then Executive shall be entitled to receive one of the following amounts, depending on the circumstances specified below:

(a) If Executive has attained the Early Retirement Age and has completed ten (10) Years of Service, or if he has attained an Applicable Percentage of one hundred percent (100%), or if he has attained the Normal Retirement Age at the time of such Separation From Service , then he shall receive an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount*. Executive shall be subject to the provisions of Article VI below. (*As stated in Paragraph 5.4B, whether paid as an annuity or lump sum, this Executive Benefit shall reflect a two percent (2%) annual benefit increase, and when paid as an annuity prior to Normal Retirement, shall be subject to the Early Commencement Reduction Factor).

b. In the event Executive Voluntarily Separates From Service following a Change in Control but does not satisfy the requirements of Paragraph 5.4A(2)a above , then he shall forfeit all rights and benefits he may have had under the terms of this Agreement.

B. Benefit Payments. If Executive is entitled to receive a benefit pursuant to the terms of this Paragraph 5.4A above, then the benefit shall be payable as follows:

- (1) In the event Executive has attained at least the Early Retirement Age at the time of Separation From Service, then Executive Benefit payments shall commence on the first (1st) day of the first (1st) month following the Executive's Separation From Service and shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first (1st) day of the first (1st) month following Executive's Separation From Service and continuing until the death of Executive. The forgoing shall be subject to the Early Commencement Reduction Factor for payments commencing before the Normal Retirement Age. In addition to the forgoing, the annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first (1st) anniversary of the first (1st) Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.
- (2) In the event Executive has not yet attained the Early Retirement Age as of the date of Separation From Service, then the Executive Benefit defined above in Paragraph 5.4A shall be paid out as an Actuarial Equivalent value, assuming a lifetime benefit with a payment commencement date of the first (1st) day of the first (1st) month following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) annual increase in Executive Benefit amounts. This Actuarial Equivalent amount shall be paid in one (1) lump sum one (1) year following Separation From Service.

5.5 **Disability.**

- A. **Benefit Amount.** Subject to the provisions of Article VI below, in the event that Executive becomes Disabled prior to Separating From Service, then upon such Disability, Executive shall be entitled to receive one (1) of the following amounts, depending on circumstances:

- (1) In the event Executive becomes Disabled prior to attaining the Normal Retirement Age, then Executive shall be entitled to be paid a lump sum amount equal to the Actuarial Equivalent value of the following: a lifetime benefit with annual payments equal to the Applicable Percentage that Executive would have achieved had he remained employed until the Normal Retirement Age, multiplied by the Target Benefit Amount, and assuming a payment commencement date of the Normal Retirement Age, and factoring in a two percent (2%) annual increase in Executive Benefit amounts. In addition, for the purposes of

this provision, the Target Benefit Amount shall be determined based on the following assumptions: it shall be assumed that for each year following Executive becoming Disabled, Executive's Base Salary will increase annually at a rate of three percent (3%) each year on anniversary of Executive's date of hire until such time as Executive attains the Normal Retirement Age.

- (2) In the event Executive becomes Disabled after attaining the Normal Retirement Age, then the Executive shall be entitled to be paid a lump sum amount equal to the Actuarial Equivalent value of the following: a lifetime benefit with annual payments equal to the Applicable Percentage (as of the date of Separation from Service) of the Target Benefit Amount, assuming a payment commencement date of the date of Disability, and factoring in a two percent (2%) annual increase in Executive Benefit amounts.

B. Benefit Payments. All amounts due as a result of Disability shall be paid in one (1) lump sum on the first (1st) day of the first (1st) month following Disability.

5.6 Termination For Cause. In the event Executive is Terminated For Cause at any time after the effective date of this Agreement, then he shall forfeit any and all rights and benefits he may have under the terms of this Agreement and shall have no right to be paid any of the amounts which would otherwise be due or paid to the Executive by the Bank pursuant to the terms of this Agreement.

5.7 Death.

A. Benefit Amount and Payment.

- (1) Death prior to Separation From Service. In the event Executive dies prior to Separating From Service, then there are no death benefits payable under this Agreement. Any such benefits would be payable pursuant to a Split Dollar Life Insurance Agreement, if any exists.
- (2) Death after Separation From Service and after becoming entitled to receive payment, but prior to receiving any or all such payments. In the event Executive dies after Separating From Service and after becoming entitled to the benefits specified under this Agreement, then payments shall only be made following Executive's death if Executive has elected a joint and survivor payment option.

ARTICLE VI

NON-COMPETITION AND NON-SOLICITATION/NON-INTERFERENCE; FORFEITURE IN THE EVENT OF BREACH; MANDATORY ARBITRATION

6.1 Non-Competition. Notwithstanding any other provision of this Agreement, the Executive Benefit due pursuant to the provisions of Paragraphs 5.1, 5.2, 5.3, 5.4A(2), and 5.5 shall be forfeited and no Executive Benefit shall be due Executive hereunder if Executive enters into any Competitive Activity on behalf of a Conflicting Organization in Employer's Market Area during Executive's employment or within the two (2) year period following the date of Executive's Separation From Service.

6.2 Non-Solicitation. The restrictions in Paragraph 6.1 also include without limitation, for a period of two (2) years following the date of Executive's Separation from Service, Executive shall not solicit, directly or indirectly, on behalf of a Conflicting Organization in Employer's Market Area, any customer, client, or employee of Employer. Specifically, Executive may not, directly or indirectly:

- A. Solicit, or attempt to solicit, induce, invite, encourage, recommend, request, or participate in recruiting any client or customer of Employer to terminate or change the client or customer's relationship with Employer, including without limitation, transferring the client or customer's business to a Conflicting Organization; or
- B. Solicit or attempt to solicit, induce, invite, encourage, recommend, request, or participate in recruiting any employee, current or future, of Employer, to leave employment with Employer in order to participate, as an employee or otherwise, in any manner in Competitive Activity for a Conflicting Organization, or to hire or cause to be hired or assist in the hiring of Employer's current or future employees by a Conflicting Organization, or provide information to any third party to suggest, encourage, aid or facilitate such solicitation, inducement, recruitment or hiring.

Solicitation prohibited under this Paragraph 6.2 includes solicitation by any means, including, without limitation, meetings, phone calls, letters or other mailings, and electronic and internet communications of any kind, or any other type of conduct intended or reasonably calculated to induce or urge a client, customer, or employee to discontinue, in whole or in part, its employment or business relationship with Employer.

6.3 Injunctive Relief. Executive acknowledges and agrees that Employer has a legitimate business interest in enforcement of the restrictions in this Article VI, including without limitation, Employer's need to protect the goodwill of Employer's business, Employer's client relationships, the stability of Employer's workforce, and other such legitimate business interests. In the event that Executive breaches or threatens to breach, or Employer reasonably believes that

Executive is about to breach the obligations of this Article, Executive acknowledges and agrees that Employer shall be entitled to obtain injunctive relief in state or federal court, in addition to, and not in lieu of, any other legal or equitable rights and remedies available to Employer. Executive acknowledges and agrees that Employer will suffer immediate and irreparable harm from such breach or threatened breach and that money damages will not be adequate to compensate Employer or to protect and preserve the status quo.

6.4 Enforceability. If an arbitrator or a court of competent jurisdiction shall find any provision of this Article VI illegal or unenforceable, the arbitrator or court may reform such provision to the extent necessary to render the otherwise unenforceable provision, and the rest of the Agreement, valid and enforceable, and so as to permit maximum restrictions that are legal and enforceable to be applied to the Executive's ability to compete with Employer. If an arbitrator or court declines to amend any such provision as provided herein, the invalidity or unenforceability of any such provision shall not affect the validity or enforceability of the remaining provisions, which shall be enforced as if the offending provision had not been included in this Agreement.

6.5 Excuse/Reimbursement Right. To the extent that Executive is paid an Executive Benefit under this Agreement and breaches this provision, Employer shall not only be excused from paying any future benefit, but Employer shall have the right to seek reimbursement for all amounts previously paid out under this Agreement, to the extent allowed by law.

6.6 Arbitration. All controversies and claims arising under or relating to this Article VI, including the scope of this mandatory arbitration provision, shall be submitted to binding arbitration before a single arbitrator to be selected by the parties. Notice of the demand for arbitration shall be in writing and served on the other party to this Plan. Within ten (10) days after notice by one party to the other of its demand for arbitration, the parties shall confer as to the selection of an arbitrator. The arbitration shall be subject to the rules of procedure established by the Employment Arbitration Rules of the American Arbitration Association, and shall be conducted in Tacoma, Washington, unless otherwise agreed to by the parties. The arbitrator shall apply Washington law, without regard to its choice of law principles. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute, or other matter in question would be barred by the applicable statute of limitations. Any award, order or judgment pursuant to the arbitration shall be final and binding upon the parties and their successors and assigns, and may be entered and enforced in any court of competent jurisdiction. The requirements of this Paragraph do not prohibit the filing of a court action by either party for temporary equitable relief in aid of arbitration, and as provided in Paragraphs 6.3 and 6.4 above. Each party irrevocably submits to the exclusive jurisdiction and venue of the federal and state courts of Washington in any legal suit, action or proceeding for purposes of (a) enforcing this arbitration provision, (b) entering and enforcing any award, order, or judgment pursuant to this arbitration provision, and (c) any legal suit, action or proceeding to obtain temporary equitable relief as set forth above.

ARTICLE VII

ADMINISTRATION

7.1 Committee and Duties. This Plan shall be administered by an Administrative Committee which shall consist of not less than three (3) persons appointed by the Board of Directors. Any member of the Committee may be removed at any time by the Board. Any member may resign by delivering his written resignation to the Board. Upon the existence of any vacancy, the Board may appoint a successor. The Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan. A majority of the members of the Committee shall constitute a quorum for the transaction of business. A majority vote of the Committee members constituting a quorum shall control any decision.

7.2 Agents. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to Employer.

7.3 Binding Effect of Decisions. The decision or action of the Committee in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

7.4 Indemnity of Committee. Employer shall indemnify and hold harmless the members of the Committee against any and all claims, loss, damage, expense, or liability arising from any action or failure to act with respect to this Plan, except in the case of gross negligence or willful misconduct.

ARTICLE VIII

CLAIMS PROCEDURE

8.1 Claim. In the event a dispute arises over the benefits under this executive Plan and benefits are not paid to the Executive (or to the Executive's beneficiary[ies], if applicable) and such claimants feel they are entitled to receive such benefits, then a written claim must be made to the Named Fiduciary and Plan Administrator named above in accordance with the following procedures:

- A. **Written Claim.** The claimant may file a written request for such benefit to the Plan Administrator.
- B. **Claim Decision.** Upon receipt of such claim, the Plan Administrator shall respond to such claimant within ninety (90) days after receiving the claim. If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the response period by an additional ninety (90) days for reasonable cause

by notifying the claimant in writing, prior to the end of the initial ninety (90) day period, that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Plan Administrator expects to render its decision.

If the claim is denied in whole or in part, the Plan Administrator shall notify the claimant in writing of such denial. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (i) The specific reasons for the denial;
- (ii) The specific reference to pertinent provisions of the Agreement on which the denial is based;
- (iii) A description of any additional information or material necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary;
- (iv) Appropriate information as to the steps to be taken if the claimant wishes to submit the claim for review and the time limits applicable to such procedures; and
- (v) A statement of the claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

- C. Request for Review. Within sixty (60) days after receiving notice from the Plan Administrator that a claim has been denied (in part or all of the claim), then claimant (or their duly authorized representative) may file with the Plan Administrator, a written request for a review of the denial of the claim.

The claimant (or his duly authorized representative) shall then have the opportunity to submit written comments, documents, records and other information relating to the claim. The Plan Administrator shall also provide the claimant, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits.

- D. Decision on Review. The Plan Administrator shall respond in writing to such claimant within sixty (60) days after receiving the request for review. If the Plan Administrator determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the claimant prior to the termination of the initial sixty (60) day period. In no event shall such extension exceed a period of sixty (60) days from the end of the initial period. The notice of extension must set forth the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render its decision.

In considering the review, the Plan Administrator shall take into account all materials and information the claimant submits relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

The Plan Administrator shall notify the claimant in writing of its decision on review. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (i) The specific reasons for the denial;
- (ii) A reference to the specific provisions of the Agreement on which the denial is based;
- (iii) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits; and
- (iv) A statement of the claimant's right to bring a civil action under ERISA Section 502(a).

- E. Special Timing Rules for Disability Claims. In the event a claim above is a claim for disability benefits, then the applicable time periods for notifying claimants regarding benefits determinations shall be reduced as required by 29 CFR 2560.503-1 (I.e., (a) the ninety (90) day response time with the possibility of a ninety (90) day extension in Section 8.2B shall be shortened to a forty-five (45) day response time with the possibility of a thirty (30) day extension, and (b) the sixty (60) day response time with the possibility of a sixty (60) day extension in shall be shortened to a forty-five (45) day response time with the possibility of a forty-five (45) day extension). In addition, in the event of a disability claim, the Bank shall identify any medical or vocational expert whose advice was obtained by the Plan in connection with the initial benefit determination, without regard to whether the advice was relied upon. If the review is from an adverse benefit determination that was based in whole or in part on a medical judgment, the Bank shall consult with a health care professional that has appropriate training and experience in the field of medicine involved in the medical judgment and who is neither the individual who was consulted in connection with the adverse benefit determination that is under review nor the subordinate of such individual. Any review of the denial of a claim made on account of disability shall be conducted by a person or persons who neither had any part in the initial benefit determination nor are subordinates of the persons who did.

8.2 Arbitration of Disputes. Other than as addressed in Article VI, all unresolved claims, disputes and other matters in question arising out of or relating to this Plan or the breach or interpretation thereof, (including the scope of this mandatory arbitration provision), other than those matters which are to be determined by Employer in its sole and absolute discretion, shall be resolved by binding arbitration before a single arbitrator to be selected by the parties (unless prohibited by ERISA). Notice of the demand for arbitration shall be in writing and served on the other party to this Plan. Within ten (10) days after notice by one party to the other of its demand for arbitration, the parties shall confer as to the selection of an arbitrator. The arbitration shall be subject to the rules of procedure established by the Employment Arbitration Rules of the American Arbitration Association (“AAA”), and shall be conducted in Tacoma, Washington, unless otherwise agreed to by the parties. The arbitrator shall apply Washington law, without regard to its choice of law principles. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations. Any award, order or judgment pursuant to the arbitration shall be final and binding upon the parties and their successors and assigns, and may be entered and enforced in any court of competent jurisdiction. The requirements of this Paragraph do not prohibit the filing of a court action by either party for temporary equitable relief in aid of arbitration. Each party irrevocably submits to the exclusive jurisdiction and venue of the federal and state courts of Washington in any legal suit, action or proceeding for purposes of (a) enforcing this arbitration provision, (b) entering and enforcing any award, order, or judgment pursuant to this arbitration provision, and (c) any legal suit, action or proceeding to obtain temporary equitable relief as set forth above.

8.3 Attorneys’ Fees. In the event of any arbitration or litigation concerning any controversy, claim or dispute between the parties hereto, arising out of or relating to this Agreement or the breach hereof, or the interpretation hereof, to the extent permitted by law (a) each party shall pay his own attorneys’ arbitration and legal fees incurred pursuant to this Agreement; and (b) if Executive prevails, he shall be entitled to recover from the other party reasonable expenses, attorneys' fees and costs incurred in the enforcement or collection of any judgment or award rendered. The term "prevails" applies if the arbitrator(s) or court finds that Executive is entitled to contested money payments from the other, but does not necessarily imply a judgment rendered in favor of Executive.

ARTICLE IX

MISCELLANEOUS

9.1 Unfunded Plan. This Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly compensated employees” within the meaning of Sections 201, 301, and 401 of the Employee Retirement Income Security act of 1974, as amended (“ERISA”), and therefore to be exempt from the provisions of Parts 2, 3, and 4 of Title I ERISA. Accordingly, the Plan shall terminate and no further benefits shall be paid hereunder in the event it is determined by a court of competent jurisdiction or by an opinion of counsel that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA which is not so exempt.

9.2 Status as an Unsecured General Creditor and Rabbi Trust. Notwithstanding anything contained herein to the contrary: (i) the Executive shall have no legal or equitable rights, interests or claims in or to any specific property or assets of Employer as a result of this Agreement; (ii) none of the Employer's assets shall be held in or under any trust for the benefit of the Executive or held in any way as security for the fulfillment of the obligations of the Employer under this Agreement; (iii) all of the Employer's assets shall be and remain the general unpledged and unrestricted assets of the Employer; (iv) the Employer's obligation under this Agreement shall be that of an unfunded and unsecured promise by the Employer to pay money in the future; and (v) the Executive shall be an unsecured general creditor with respect to any benefits which may be payable under the terms of this Agreement.

Notwithstanding subparagraphs (i) through (v) above, the Employer and the Executive acknowledge and agree that, in the event of a Change in Control, upon request of the Executive, or in the Employer's discretion if the Executive does not so request and the Employer nonetheless deems it appropriate, the Employer shall establish, not later than the effective date of the Change in Control, a Rabbi Trust or multiple Rabbi Trusts (the "Trust" or "Trusts") upon such terms and conditions as the Employer, in its sole discretion, deems appropriate and in compliance with applicable provisions of the Code, in order to permit the Employer to make contributions and/or transfer assets to the Trust or Trusts to discharge its obligations pursuant to this Agreement. The principal of the Trust or Trusts and any earnings thereon shall be held separate and apart from other funds of the Employer to be used exclusively for discharge of the Employer's obligations pursuant to this Agreement and shall continue to be subject to the claims of the Employer's general creditors until paid to the Executive in such manner and at such times as specified in this Agreement.

9.3 Non-assignability. Neither Executive nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and nontransferable. No part of the amount payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by Executive or any other person, nor be transferable by operation of law in the event of Executive's or any other person's bankruptcy or insolvency.

9.4 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between Employer and the Executive, and the Executive (or his beneficiary, if applicable) shall have no rights against Employer except as may otherwise be specifically provided herein. Moreover, nothing in this Plan shall be deemed to give Executive the right to be retained in the service of Employer or to interfere with the right of Employer to discipline or discharge him at any time.

9.5 Protective Provisions. Executive will cooperate with Employer by furnishing any and all information requested by Employer, in order to facilitate the payment of benefit hereunder, and by taking such physical examinations as Employer may deem necessary and taking such other action as may be requested by Employer.

9.6 Terms. Whenever any words are used herein in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or singular, as the case may be, in all cases where they would so apply.

9.7 Captions. The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

9.8 Governing Law. The provisions of this Plan shall be construed, interpreted, and governed in all respects in accordance with applicable federal law and, to the extent not preempted by such federal law, in accordance with the laws of the State of Washington.

9.9 Binding Effect/Merger or Reorganization. This Agreement shall be binding upon and inure to the benefit of the Executive and the Bank. Accordingly, the Bank shall not merge or consolidate into or with another corporation, or reorganize or sell substantially all of its assets to another corporation, firm or person, unless and until such succeeding or continuing corporation, firm or person agrees to assume and discharge the obligations of the Bank under this Agreement. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of Employer, and successors of any such corporation or other business entity.

9.10 Nonwaiver. The failure of either party to enforce at any time or for any period of time any one or more of the terms or conditions of this Agreement shall not be a waiver of such term(s) or condition(s) or of that party's right thereafter to enforce each and every term and condition of this Agreement.

9.11 Partial Invalidity/Severability. If any term, provision, covenant, or condition of this Agreement is determined by an arbitrator or a court, as the case may be, to be invalid, illegal, void, or unenforceable, then such term, provision, covenant, or condition shall be deemed ineffective and unenforceable and shall be deemed separable from the remaining provisions of this Agreement. Further, such determination shall not render any other term, provision, covenant illegal, void or unenforceable, and the remaining terms, provisions, covenants, and conditions of the Agreement shall remain in full force and effect notwithstanding such partial invalidity.

9.12 Entire Agreement. Each party to this Agreement acknowledges that no other representations, inducements, promises, or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not set forth herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding on either party. Executive and the Employer understand, acknowledge and agree that Executive and the Employer have entered into other agreements that contain either change-in-control terms or restrictive covenants, including without limitation a Change in Control Agreement. The parties understand, acknowledge and agree that the terms of this Agreement are not intended by Executive or the Employer, and shall not be interpreted by any party, court or arbitrator to, supersede, modify, amend, change, negate, cancel or render null or void any other change-in-control terms or restrictive covenants between the parties contained in any such other agreements (or any amendments or restatements thereof).

9.13 Modifications. Any modification of this Agreement shall be effective only if it is in writing and signed by each party or such party's authorized representative, and only to the extent that it is compliant with all applicable codes and statutes, including but not limited to IRC 409A.

9.14 Notice. Any notice required or permitted of either the Executive or the Bank under this Agreement shall be deemed to have been duly given, if by personal delivery, upon the date received by the party or its authorized representative; if by facsimile, upon transmission to a telephone number previously provided by the party to whom the facsimile is transmitted as reflected in the records of the party transmitting the facsimile and upon reasonable confirmation of such transmission; and if by mail, on the third day after mailing via U.S. first class mail, registered or certified, postage prepaid and return receipt requested, and addressed to the party at the address given below for the receipt of notices, or such changed address as may be requested in writing by a party.

If to the Bank: Columbia State Bank
1301 A Street
Tacoma, WA 98402
Attention: Corporate Secretary/Cathleen Dent

If to the Executive: Andrew L. McDonald
1225 N. Sunset Dr.
Tacoma, WA 98406

9.15 IRS Section 280G Issues . If all or any portion of the amounts payable to the Executive under this Agreement, either alone or together with other payments which the Executive has the right to receive from Employer, constitute "excess parachute payments" within the meaning of Section 280G of the Code that are subject to the excise tax imposed by Section 4999 of the Code (or similar tax and/or assessment), Executive shall be responsible for the payment of such excise tax and Employer (and its successor) shall be responsible for any loss of deductibility related thereto; provided, however, that Employer and Executive shall cooperate with each other and use all reasonable efforts to minimize to the fullest extent possible the amount of excise tax imposed by Section 4999 of the Code, but only to the extent that any agreement to minimize the impact of the Section 4999 excise tax shall comply in all respects with all applicable laws, including IRC 409A and regulations thereunder. If, at a later date, it is determined (pursuant to final regulations or published rulings of the Internal Revenue Service, final judgment of a court of competent jurisdiction, or otherwise) that the amount of excise taxes payable by the Executive is greater than the amount initially so determined, then Executive shall pay an amount equal to the sum of such additional excise taxes and any interest, fines and penalties resulting from such underpayment. The determination of the amount of any such excise taxes shall be made by the independent accounting firm employed by Employer immediately prior to the change in control or such other independent accounting firm or advisor as may be mutually agreeable to Employer and Executive in the exercise of their reasonable good faith judgment.

9.16 Opportunity To Consult With Independent Advisors. The Executive acknowledges that he has been afforded the opportunity to consult with independent advisors of his choosing including, without limitation, accountants or tax advisors and counsel regarding both the benefits granted to him under the terms of this Agreement and the (i) terms and conditions which may affect the Executive's right to these benefits and (ii) personal tax effects of such benefits including, without limitation, the effects of any federal or state taxes, Section 280G of the Code, and any other taxes, costs, expenses or liabilities whatsoever related to such benefits, which in any of the foregoing instances the Executive acknowledges and agrees shall be the sole responsibility of the Executive notwithstanding any other term or provision of this Agreement. The Executive further acknowledges and agrees that the Bank shall have no liability whatsoever related to any such personal tax effects or other personal costs, expenses, or liabilities applicable to the Executive and further specifically waives any right for himself or herself, and his or her heirs, beneficiaries, legal representatives, agents, successor and assign to claim or assert liability on the part of the Bank related to the matters described above in this paragraph. The Executive further acknowledges that he has read, understands and consents to all of the terms and conditions of this Agreement, and that he enters into this Agreement with a full understanding of its terms and conditions.

EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE HAS RECEIVED AND READ OR HAS HAD THE OPPORTUNITY TO READ THIS AGREEMENT, INCLUDING WITHOUT LIMITATION THE AGREEMENTS TO ARBITRATION OF DISPUTES UNDER PARAGRAPHS 6.6 AND 8.2. EXECUTIVE ACKNOWLEDGES AND UNDERSTANDS THAT THIS AGREEMENT TO ARBITRATION OF DISPUTES REQUIRES THAT DISPUTES THAT INVOLVE THE MATTERS SUBJECT TO THE AGREEMENT BE SUBMITTED TO MEDIATION OR ARBITRATION PURSUANT TO THE ARBITRATION AGREEMENT RATHER THAN TO A JUDGE AND JURY IN COURT.

COLUMBIA STATE BANK

By: /s/ MELANIE J. DRESSEL

Date: February 27, 2015

Authorized Executive

Title: President and Chief Executive Officer

/s/ ANDREW L. MCDONALD

ANDREW L. MCDONALD

Executive- Signature and Date

Print Name

EXHIBIT A
TO THE FIRST AMENDED AND RESTATED
COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR ANDREW MCDONALD

The following table is intended ONLY to demonstrate Executive's projected salary at various times and based on the assumptions below. This table does not address actual benefits to be paid based on the varying circumstances of Separation From Service, Change in Control, etc., or based on benefits being paid out prior to attainment of the Early Retirement Age, paid out as actuarial equivalent amounts or reduced by the Early Commencement Reduction Factor. In addition, this table does not address the limiting language contained in the definition of Target Benefit Amount, such that the Target Benefit Amount is defined as the "60% of the average of Executive's three highest years of Base Salary.

Date of Separation from Service	Projected Salary (1)	Three Year Average	60% of Salary	Applicable Percentage	Adjusted Benefit (2)
June 2, 2013 thru June 1, 2014	\$288,000	\$ 249,666	\$149,800	45%	\$ 67,410
June 2, 2014 thru June 1, 2015	\$296,640	\$ 278,213	\$166,928	50%	\$ 83,464
June 2, 2015 thru June 1, 2016	\$305,539	\$ 296,726	\$178,036	55%	\$ 97,920
June 2, 2016 thru June 1, 2017	\$314,705	\$ 305,628	\$183,377	60%	\$110,026
June 2, 2017 thru June 1, 2018	\$324,147	\$ 314,797	\$188,878	65%	\$122,771
June 2, 2018 thru June 1, 2019	\$333,871	\$ 324,241	\$194,545	70%	\$136,181
June 2, 2019 thru June 1, 2020	\$343,887	\$ 333,968	\$200,381	75%	\$150,286
June 2, 2020 thru June 1, 2021	\$354,204	\$ 343,987	\$206,392	80%	\$165,114
June 2, 2021 thru June 1, 2022	\$364,830	\$ 354,307	\$212,584	85%	\$180,696
June 2, 2022 thru June 1, 2023	\$375,775	\$ 364,936	\$218,962	90%	\$197,065
June 2, 2023 thru June 1, 2024	\$387,048	\$ 375,884	\$225,530	95%	\$214,254
June 2, 2024 and Thereafter	\$398,659	\$ 387,161	\$232,296	100%	\$232,296

(1) Salary projected to grow annually at 3%.

(2) The above chart is intended for illustrative purposes only and does not reflect any Early Commencement Reduction Factor.

These numbers are provided for illustration purposes only and are in no way a guarantee of salary, benefits or amounts due under this agreement.

The assumptions used to calculate these amounts will only be determined at the time benefits become due, and thus there can be no guarantee of salary or benefits at the time this agreement is put into place.

EXHIBIT B
TO THE FIRST AMENDED AND RESTATED
COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR ANDREW MCDONALD

DISTRIBUTION ELECTION FORM

Pursuant to the terms of the Supplemental Executive Compensation Agreement, by and between me, Andrew McDonald, and Columbia State Bank (hereinafter "Bank"), effective as of June 1, 2013 ("Original Agreement"), and thereafter as amended by the First Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement ("Agreement"), I have been granted a supplemental compensation benefit. Terms which are "defined terms" in the Agreement shall have the same meaning within this Distribution Election Form.

Pursuant to IRC 409A, there are multiple restrictions and limitations regarding modifying the time and/or form of such payments; however an exception to these restrictions permits elections to change from a life annuity to another actuarially equivalent life annuity (prior to payments beginning).

In the event no alternate method is selected above, then amounts due under this Agreement shall be paid out as a single life annuity based on the life of Participant. Subject to the forgoing, and provided that payments have not yet begun, Executive may elect to have the Executive Benefit paid as follows:

Election of Actuarial Equivalent of Form of Benefit For Married Participant or Participant with Domestic Partner. Pursuant to the terms of the Agreement, and consistent with IRC 409A, instead of having my benefit paid as a single life annuity, with payments continuing until my death, I elect to have my benefit paid to me as designated below:

_____ A joint and survivor annuity with an actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse (registered domestic partner) in the same amount as the amount paid to me.

_____ A joint and survivor annuity in equal value to the actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to my surviving spouse (registered domestic partner) in one-half of the amount paid to me.

Acknowledgment of Limitations on Changes in Time and Form of Payment of Benefits. All Actuarially Equivalent valuations must be in compliance with IRC 409A and 1.409A-2(b)(2)(ii). In addition, when determining whether two life annuities are Actuarially Equivalent, the same

actuarial assumptions and methods must be used in valuing each life annuity. This requirement applies over the entire term of Participant's participation in the Plan, such that the annuities must be actuarially equivalent at all times for the annuity options to be treated as one time and form of payment. However, provided the actuarial methods and assumptions are reasonable, there is no requirement that consistent actuarial assumptions and methods be used over the term of Participant's participation in the Plan. Accordingly, the Plan may change the actuarial assumptions and methods used to determine the life annuity payments, provided that all of the actuarial assumptions and methods are reasonable.

In the event, however, that a joint and survivor annuity option is selected, and that Participant's spouse predeceases Participant, then for all payments made to Participant after Participant's spouse's death, the amounts payable under this Agreement shall increase and be equal to the payment amounts Participant would have received under a single life annuity option. In addition, Participant shall no longer have the ability to make a new joint and survivor annuity election.

In the event no alternate method is selected above, then amounts due under this Agreement shall be paid out as a single life annuity.

Signed: ____ Print Name: _____

Dated: ____

EXHIBIT C
TO THE FIRST AMENDED AND RESTATED
COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR ANDREW MCDONALD

The following figures are provided ONLY as an example of potential benefit amounts in the event Executive Separates From Service at Normal Retirement Age:

Annual Payment Single Life Annuity Option (Executive's lifetime only): \$232,496.

Election of the joint and survivor annuity with an actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse in the same amount as the amount paid to the Executive might result in an annual benefit of \$198,738.

Election of the joint and survivor annuity in equal value to the actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse in one-half of the amount paid to Executive might result in an annual benefit of \$214,296 paid to Executive during their lifetime, with a benefit of \$107,148 being paid to Executive's spouse upon Executive's death.

THESE NUMBERS ARE PROVIDED FOR ILLUSTRATION PURPOSES ONLY AND ARE IN NO WAY A GUARANTEE OF BENEFITS OR AMOUNTS. IN ADDITION, THESE NUMBERS DO NOT REFLECT ANY REDUCTION/FORFEITURE REQUIRED AS A RESULT OF BENEFITS PROVIDED UNDER ADDITIONAL AGREEMENTS.

THE ASSUMPTIONS USED TO CALCULATE ACTUAL BENEFITS WILL ONLY BE DETERMINED AT THE TIME BENEFITS BECOME DUE, AND THUS THERE CAN BE NO GUARANTEE OF ANNUITY AMOUNTS AT THE TIME THIS AGREEMENT IS PUT INTO PLACE.

**EXHIBIT D
TO THE FIRST AMENDED AND RESTATED
COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR ANDREW MCDONALD**

Supplemental Compensation Agreements dated June 1, 2004

EXHIBIT E
TO THE FIRST AMENDED AND RESTATED
COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR ANDREW MCDONALD

Supplemental Compensation Agreements dated May 24, 2006

**EXHIBIT F
TO THE FIRST AMENDED AND RESTATED
COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR ANDREW MCDONALD**

Supplemental Compensation Agreements dated February 28, 2007

**FIRST AMENDED AND RESTATED
COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
(By and Between Columbia State Bank and David Lawson)**

ARTICLE I

PURPOSE AND EFFECTIVE DATE

This First Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement (hereinafter "Agreement"), entered into this February 27, 2015 by and between **Columbia State Bank** (hereinafter "Bank" "Employer") and David Lawson (hereinafter "Executive" or "Participant"), is intended to amend, supersede and replace, in its entirety, the Columbia State Bank Supplemental Executive Retirement Plan Agreement, effective as of July 1, 2013 ("Original Agreement").

The purpose of this Columbia State Bank Supplemental Executive Retirement Plan (hereinafter the "Plan"), evidenced by this Agreement, is to provide supplemental retirement benefits for certain key employees of Columbia State Bank. It is intended that the Plan will aid in retaining and attracting individuals of exceptional ability by providing them with these benefits.

WHEREFORE, the Bank and Executive hereby agree to the following;

ARTICLE II

DEFINITIONS

For the purposes of this Agreement, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Furthermore, in the event of any ambiguity or in the event any clarification is required, the below terms shall be interpreted in a manner consistent with Internal Revenue Code Section 409A.

2.1 Actuarial Equivalent. The term "Actuarial Equivalent" means equivalence in value between two (2) or more forms and/or times of payment based on a determination by an actuary chosen by the Committee, utilizing the "applicable interest rate" specified by Internal Revenue Code Section 417(e)(3)(C) as of the date of Executive's Separation of Service or Disability, and the "applicable mortality table" specified in Code Section 417(e)(3)(B).

2.2 Administrator. The Bank shall be the "Administrator" and, solely for the purposes of ERISA (as defined below), the "fiduciary" of this Agreement where a fiduciary is required by ERISA.

2.3 Applicable Percentage. The term "Applicable Percentage" is the percentage of the Executive Benefit to which Executive may be entitled based on (a) the date on which the Executive

Separates From Service or Terminates Employment with the Bank or (b) the circumstances described herein. Subject to the forgoing, the Applicable Percentage shall be as follows:

DATE OF SEPARATION FROM SERVICE	APPLICABLE PERCENTAGE
July 1, 2013 through June 30, 2016	0%
July 1, 2016 through June 30, 2017	15%
July 1, 2017 through June 30, 2018	20%
July 1, 2018 through June 30, 2019	25%
July 1, 2019 through June 30, 2020	30%
July 1, 2020 through June 30, 2021	35%
July 1, 2021 through June 30, 2022	40%
July 1, 2022 through June 30, 2023	45%
July 1, 2023 through June 30, 2024	50%
July 1, 2024 through June 30, 2025	55%
July 1, 2025 through June 30, 2026	60%
July 1, 2026 through June 30, 2027	65%
July 1, 2027 through June 30, 2028	70%
July 1, 2028 through June 30, 2029	75%
July 1, 2029 through June 30, 2030	80%
July 1, 2030 through June 30, 2031	85%
July 1, 2031 through June 30, 2032	90%
July 1, 2032 through June 30, 2033	95%
July 1, 2033 and thereafter	100%

2.4 Base Salary. "Base Salary" shall mean the regular cash compensation actually paid to Executive for services rendered or labor performed by Executive during a given calendar year, excluding bonuses, commissions, overtime, incentive payments, non-monetary awards. This amount shall include amounts Executive could have received in cash in lieu of (i) contributions made on Executive's behalf to a qualified plan maintained by the Bank or to any cafeteria plan under Section 125 of the Code maintained by Employer and (ii) deferrals of compensation made at the Executive's election pursuant to a plan or arrangement of the Employer.

2.5 Board. "Board" means the Board of Directors of Columbia State Bank.

2.6 Change in Control. For the purpose of this Agreement, a Change in Control shall be defined in a manner consistent with IRC 409A. Currently IRC provides a definition consistent with the following (and for the purposes of this provision, the term "corporation" shall mean Columbia State Bank):

- A. Change in the Ownership of a Corporation. A change in the ownership of a corporation occurs on the date that any one person or persons acting as a group (as defined in IRC 409A), acquires ownership of stock of the corporation that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of such corporation. The acquisition of additional stock

by the same person or group is not considered to cause a change in the ownership of the corporation.

- B. Change in the Effective Control of a Corporation. A change in the effective control of the corporation shall be deemed to occur on either of the following dates:
- (i) The date any one person, or persons acting as a group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the corporation possessing thirty percent (30%) or more of the total voting power of the stock of such corporation; or
 - (ii) The date a majority of members of the corporation's board of directors is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the corporation's board of directors before the date of the appointment or election.
- C. Change in the Ownership of a Substantial Portion of a Corporation's Assets. A change in the ownership of a substantial portion of a corporation's assets shall be deemed to occur on the date that any one person or group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the corporation that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the corporation immediately before such acquisition or acquisitions. No Change in Control shall result if the assets are transferred to certain entities controlled directly or indirectly by the shareholders of the transferring corporation.

In addition, to constitute a change in control event with respect to the Executive, the change in control event must relate to (i) the corporation for whom Executive is performing services at the time of the Change in Control; (ii) The corporation that is liable for the payment of the amounts described herein (or all corporations liable for the payment if more than one corporation is liable) but only if either the deferred compensation is attributable to the performance of service by the Executive for such corporation(s) or there is a bona fide business purpose for such corporation(s) to be liable for such payment and, in either case, no significant purpose of making such corporation(s) liable for such payment is the avoidance of Federal income tax; or (iii) a corporation that is a majority shareholder of a corporation identified in (i) or (ii) above, or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in (i) or (ii) above.

2.7 The Code. The "Code" shall mean the Internal Revenue Code of 1986, as amended.

2.8 Committee. The term "Committee" means the Compensation Committee of the Board of Directors of Columbia State Bank.

2.9 Competitive Activity. For the purposes of this Agreement, "Competitive Activity" is defined as acting directly or indirectly as an employee, agent, stockholder (other than passive holdings of less than two percent (2%) of the outstanding shares of a publicly-traded company), member, officer, director, co-partner, advisor, or in any other individual or representative capacity, on behalf of any "Conflicting Organization."

2.10 Conflicting Organization. For purposes of this Agreement, "Conflicting Organization" is defined as any person, entity, or organization engaged (or about to become engaged) in a business similar to, or that competes with, the business of Employer, including without limitation any bank or financial institution (including without limitation any trust company, finance company, or leasing company).

2.11 Disability/Disabled. For the purposes of this Agreement, Executive will be considered Disabled if it is determined (in a manner consistent with IRC 409A) that Executive is Disabled within the meaning of IRC 409A. Currently, IRC 409 provides the following definition of Disability:

- A. The Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or
- B. The Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Employee's employer.

In the event a disability policy has been purchased by Employer for Executive, then the individual or entity responsible for determining such disability thereunder shall determine Executive's Disability under this Agreement (using the forgoing Disability definition). In the event no such disability policy exists, then the Plan Administrator shall make a good faith determination of Disability in a manner consistent with that required under IRC 409A.

2.12 Early Commencement Reduction Factor. The term "Early Commencement Reduction Factor" is the amount by which an Executive Benefit shall be reduced based on the benefit being paid prior to Executive's attainment of the Normal Retirement Age. The amount of the Early Commencement Reduction Factor shall be determined as follows: for each year (or partial year) that an Executive's benefit hereunder is paid prior to his attainment of the Normal Retirement

Age, then the benefit amount shall be reduced, on a pro rata basis, by a factor of five percent (5%). Thus, if an executive with a Normal Retirement Age of sixty-five (65) begins receiving payments at age sixty-two and one half (62 ½), the amount of the annual benefit shall be reduced by 12.5% ($65 - 62 \frac{1}{2} = 2.5$; $2.5 \times 5\% = 12.5\%$).

2.13 Early Retirement Age. The “Early Retirement Age” shall be age fifty-five (55).

2.14 Effective Date. The term “Effective Date” shall mean the date first written above.

2.15 Employer or Bank. The term “Employer” or “Bank” shall mean Columbia State Bank, any subsidiaries or affiliates thereof, or any successors thereto.

2.16 Employer’s Market Area . For the purposes of this Agreement, “Employer’s Market Area” is defined as including the following locations, either during Executive’s employment or at the time of Executive’s Separation From Service or Disability:

- A. Any counties in the States of Washington, Oregon or Idaho in which Employer maintains a branch or other office, and all counties bordering on any such county, or
- B. Any counties in other States in which Employer maintains a branch or other office at the time of Executive’s Separation From Service or Disability, and all counties bordering on any such county, or
- C. Any other county in which Employer has bona fide documented plans to establish a branch or office, as demonstrated by minutes of board of director meetings, regulatory correspondence, or other written communications with third parties (including legal or financial advisers) with respect to such geographic expansion, and of which Executive is aware due to his employment with Employer.

Executive acknowledges that Employer currently has operations in various counties within the states of Washington, Oregon or Idaho that Employer plans to continue to expand its operations and presence within these states and other states, and that as a member of Employer’s senior management, Executive’s services are integral to these operations and expansion plans.

2.17 ERISA. The term "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

2.18 Executive Benefit. For the purposes of this Agreement, then term “Executive Benefit” shall refer to the annual amount to which Executive is entitled to receive pursuant to this Agreement. In addition, where the Executive Benefit is defined in terms of a lifetime annuity, Executive shall have the right under IRC 409A to elect an alternate annuity payment method, as specified herein. Amounts actually received by the Executive, however, shall be determined pursuant to Paragraphs 1 through 5 (including sub-paragraphs, as applicable), forfeited, reduced or adjusted

to the extent: (a) required under the other provisions of this Agreement; (b) required by reason of the lawful order of any regulatory agency or body having jurisdiction over Employer; or (c) required in order for Employer to comply with any and all applicable state and federal laws, including, but not limited to, income, employment and disability income tax laws (e.g., FICA, FUTA, SDI).

2.19 Involuntary Termination/ Involuntary Separation From Service . The terms “Involuntary Termination” or “Involuntary Separation From Service” shall be defined as it is in IRC 409A, which currently provides that an “Involuntary” Termination shall mean a Separation From Service due to the independent exercise of the unilateral authority of the Employer to terminate the Executive’s services, other than due to the Executive’s implicit or explicit request, where the Executive was willing and able to continue performing services (and not as the result of a Disability of a Termination For Cause).

2.20 IRC 409A. The term “IRC 409A” shall refer to the final regulations issued by the IRS and the Treasury Department under Section 409A of the Code, and shall be deemed to include all related guidance issued.

2.21 Normal Retirement / Normal Retirement Age. The term "Normal Retirement" shall mean the Executive’s Separation From Service on or after attaining the Normal Retirement Age of sixty-five (65) and for reasons other than a Termination for Cause, because of a Disability, or pursuant to the provisions of Paragraph 5.4.

2.22 Participant/Executive. For the purpose of this Agreement, the terms “Executive” and “Participant” shall be interchangeable.

2.23 Remain Employed. For the purpose of this Agreement, the term “Remain(s) Employed” shall mean that Executive has not experienced a Separation From Service.

2.24 Separation From Service/ Termination of Employment. The terms “Separation From Service” (“Separates From Service”) and “Termination of Employment” shall be used interchangeably for the purposes of this Agreement and shall be interpreted in accordance with the provisions of IRC 409A. Currently, IRC 409A provides that whether a termination of employment has occurred is determined based on whether the facts and circumstances indicate that the Bank and the Executive reasonably anticipate that no further services will be performed after a certain date or that the level of bona fide services the employee will perform after such date (whether as an employee or as an independent contractor) will permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed (as an employee or an independent contractor) over the immediately preceding thirty-six (36) month period (or the full period of services to the Employer if the employee has been providing services to the employer less than 36 months). There shall be no Separation From Service while the Executive is on military leave, sick leave or other bona fide leave of absence, as long as such leave does not exceed six (6) months, or if longer, so long as the individual retains a right to re-employment with the service recipient under an applicable statute or by contract.

2.25 Specified Employee. The term “Specified Employee” shall be defined in accordance with IRC 409A, which states that a “Specified Employee” is an employee who, as of the date of the employee’s Separation From Service, is a key employee of an employer of which any stock is publicly traded on an established securities market or otherwise. An employee is a key employee if the employee meets the requirements of section 416(i)(1)(A)(i), (ii), or (iii) (applied in accordance with the regulations thereunder and disregarding section 416(i)(5)) at any time during the twelve (12) month period ending on a specified employee identification date. If Executive is a key employee as of a specified employee identification date, then Executive shall be treated as a key employee for the entire twelve (12) month period beginning on the specified employee effective date.

2.26 Target Benefit Amount. For the purposes of this Agreement, the “Target Benefit Amount” shall be an amount equal to sixty percent (60%) of the average of Executive’s three (3) highest years of Base Salary (as of the date of Separation From Service or Disability). For illustrative purposes only, attached hereto and incorporated by reference herein as “Exhibit A” is an illustration of Executive’s projected salary and potential benefit under this Agreement. This illustration is in no way a guarantee of benefits, salary or benefit amounts, but rather is intended to provide a framework for understanding potential benefits provided hereunder. Furthermore, this illustration in Exhibit A is based on certain assumptions which may or may not be accurate at the time a benefit is due or vests.

2.27 Termination For Cause. The term “Termination For Cause” shall be defined as it is in any current employment agreement between Employer and Executive. In the event no such employment agreement exists, a Termination For Cause shall be defined as a Termination because of any of the following:

- A. Willful misfeasance or gross negligence;
- B. Conduct demonstrably and significantly harmful to Employer or a financial institution subsidiary;
or
- C. Conviction of a felony.

2.28 Termination For Good Reason. A termination shall be deemed to be for Good Reason if after a Change of Control, Executive Separates From Service on or after the occurrence of any of the below events, and such events occur without the Executive’s consent:

- A. A material diminution in the Executive’s total compensation;
- B. A material diminution in the Executive’s authority, duties, or responsibilities;
- C. A material change in the geographic location at which Employee must perform services (within the meaning of Treasury Regulations Section 1.409A-1(n)(2)(ii)(A)(5)), provided that in no event shall a change in

geographic location of less than forty-five (45) miles be considered a material change in geographic location for purposes of this Agreement.

In the event of any of the forgoing circumstances, Executive shall provide notice to Employer of the existence of the conditions described above within a period not to exceed ninety (90) days of the initial existence of said condition, upon the notice of which Employer must be provided a period of at least thirty (30) days during which it may remedy the condition. If the condition is not remedied within those thirty (30) days, and Executive Voluntarily Terminates his employment within the two (2) year period following the initial occurrence of one or more of these conditions, then such Separation From Service shall be deemed to have been “For Good Reason”.

2.29 Voluntary Termination. The term “Voluntary Termination” shall mean a Separation From Service elected by the Executive and not as a result of a Disability or For Good Reason.

2.30 Years of Service. The term “Years of Service” shall mean the twelve (12) consecutive month period beginning on a Executive’s date of hire and any twelve (12) month anniversary thereof, during the entirety of which time the Executive is an employee of the Company and has not experienced a Separation From Service. Service with a subsidiary or other entity controlled by the Company before the time such entity became a subsidiary or under such control shall not be considered credited “Service” unless the Plan Administrator specifically agrees to credit such service.

ARTICLE III

SCOPE, PURPOSE AND EFFECT

3.1 Not a Contract of Employment. Although this Agreement is intended to provide Executive with an additional incentive to remain in the employ of Employer, this Agreement shall not be deemed to constitute a contract of employment between Executive and Employer, nor shall any provision of this Agreement restrict or expand the right of Employer to terminate Executive's employment. This Agreement shall have no impact or effect upon any separate written employment agreement which Executive may have with Employer, it being the parties' intention and agreement that unless this Agreement is specifically referenced in said employment agreement (or any modification thereto), this Agreement (and Employer's obligations hereunder) shall stand separate and apart and shall have no effect on or be affected by, the terms and provisions of said employment agreement.

3.2 Fringe Benefit. The benefits provided by this Agreement are granted by the Employer as a fringe benefit to Executive and are not a part of any salary reduction plan or any arrangement deferring a bonus or a salary increase. Executive has no option to take any current payments or bonus in lieu of the benefits provided by this Agreement.

3.3 Prohibited Payments. Notwithstanding anything in this Agreement to the contrary, if any payment made under this Agreement is a “golden parachute payment” as defined in Section 28(k) of the Federal Deposit Insurance Act (12 U.S.C. section 1828(k) and Part 359 of the Rules

and Regulations of the Federal Deposit Insurance Corporation (collectively, the “FDIC Rules”) or is otherwise prohibited, restricted or subject to the prior approval of a Bank Regulator, no payment shall be made hereunder without complying with said FDIC Rules.

ARTICLE IV

PAYMENT RESTRICTIONS AND LIMITATIONS

4.1 Delay in Payments for Specified Employee in the Event of a Separation From Service and Compliance With IRC 409A. In the event Executive is a Specified Employee as of the date of a Separation From Service, then a payment conditioned upon a Separation From Service may not be made before the date that is six (6) months after the date of Separation From Service (or, if earlier than the end of the six-month period, the date of death of the Specified Employee).

If payments to which Executive would otherwise be entitled during the first (1st) six (6) months following a Separation From Service are subject to this six (6) month delay in payment, then such payments shall be accumulated and paid on the first (1st) day of the seventh (7th) month following the date of Separation From Service. Payments will then continue thereafter as called for pursuant to the terms of this Agreement.

Notwithstanding any provision existing in this Agreement or any amendment thereto, it is the intent of the Employer and the Executive that any payment or benefit provided pursuant to this Agreement shall be made and paid in a manner, at a time and in a form which complies with the applicable requirements of IRC 409A in order to avoid any unfavorable tax consequences resulting from any such failure to comply.

4.2 Modifying Form of Benefit Payment/Single Life Annuity vs. Joint Life. Subject to the requirement that the methodology for calculation of “Actuarial Equivalence” be consistent with IRC 409A, when the Executive Benefit herein provides for payment as a single life annuity, then, in the alternative, Executive may elect one (1) of two (2) alternative annuity payout methods as presented in “Exhibit B”, the Distribution Election Form. These optional methods consist of joint and survivor annuities with an Actuarial Equivalent value equal to the single life Executive Benefit, with payments continued to the survivor in varying amounts. “Exhibit C”, attached hereto, provides a hypothetical example of how the benefit payments might differ between a single life annuity and a joint life annuity. The benefit payment commencement date and schedule shall otherwise remain unchanged. Any election to use an alternate annuity payment method must be made prior to the payment start date and, other than as addressed herein below, Executive shall not have the ability to modify the form of annuity elected once payments have begun. In the event, however, that a joint and survivor annuity option is elected and the Executive’s spouse pre-deceases Executive, then for all payments made to Executive after the Executive’s spouse’s death, the amounts payable under this Agreement shall increase and be equal to the payment amounts Executive would have received under a single life annuity option. Executive shall not be able then to designate a new spouse and reinstate joint life annuity payments.

4.3 Withholding of Payroll Taxes. Employer shall withhold from payments made hereunder any taxes required to be withheld from Executive's wage under federal, state or local law.

ARTICLE V
PAYMENT OF EXECUTIVE BENEFITS

Executive Benefit payments due hereunder shall be payable under this Agreement pursuant to only one (1) provision herein below. The date and circumstances of Executive's Separation From Service shall determine which paragraph shall be used to calculate the Executive Benefit payment due.

5.1 Executive Benefit Payments in the Event of Normal Retirement. Subject to the provisions of Article VI below, the Executive Benefit under this provision shall be determined as follows:

- A. Amount of Benefit.** In the event Executive Separates From Service on or after attaining the Normal Retirement Age (and for reasons other than a Termination for Cause, because of a Disability, or pursuant to the provisions of paragraph 5.4 dealing with a Change in Control), then the Executive Benefit shall be an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount. In addition to the forgoing, the annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first (1st) anniversary of the first (1st) Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit.
- B. Payment Method .** This annual Executive Benefit shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first (1st) day of the first (1st) month following Executive's Separation From Service and continuing until the death of the Executive. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.

5.2 Executive Benefit Payments on or After Attaining the Early Retirement Age but Before Attaining the Normal Retirement Age. Subject to the provisions of Article VI below, in the event Executive Separates From Service on or after attaining the Early Retirement Age, but before attaining the Normal Retirement Age, then the Executive Benefit to which Executive is entitled shall be determined as follows:

A. Amount of Benefit.

- (1) Involuntary Termination or Voluntary Termination With Ten (10) Years of Service. In the event of an Involuntary Termination or a Voluntary

Termination by Executive after completing ten (10) Years of Service, either of which occur on or after attaining the Early Retirement Age but before attaining the Normal Retirement Age, then Executive shall be entitled to receive an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount; however this amount shall be reduced by the Early Commencement Reduction Factor. In addition to the forgoing, the annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first (1st) anniversary of the first (1st) Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit.

(2) Voluntary Termination Without Ten Years Service. In the event Executive has not completed ten (10) Years of Service, then upon a Voluntary Separation From Service on or after attaining the Early Retirement Age but before attaining the Normal Retirement Age, Executive shall forfeit all rights and benefits he may have had under the terms of this Agreement.

B. **Payment Method.** Any Executive Benefit due hereunder shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first (1st) day of the first (1st) month following Executive's Separation From Service and continuing until the death of the Executive. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.

5.3 **Executive Benefit Payments in the Event of Involuntary or Voluntary Termination Prior to Attaining the Early Retirement Age.** Subject to the provisions of Article VI below, in the event Executive Separates From Service prior to attaining the Early Retirement Age, then the Executive Benefit to which Executive is entitled shall be determined as follows:

A. **Benefit Amount.**

(1) Involuntary Termination. In the event Executive is Involuntarily Terminated prior to attaining the Early Retirement Age, then Executive shall be entitled to receive an Executive Benefit equal to the Actuarial Equivalent of the following: a lifetime benefit with an annual amount equal to the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount, assuming a payment commencement date of the first (1st) day of the first (1st) month immediately following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) per year increase in the Executive Benefit amount.

(2) Voluntary Termination. In the event Executive Voluntarily Terminates employment with the Bank prior to attaining the Early Retirement Age, then the Executive Benefit shall be determined as follows:

(a) If Executive has attained an Applicable Percentage of one hundred percent (100%), then he shall be entitled to receive an Executive Benefit equal to the Actuarial Equivalent of the following: a lifetime benefit with an annual amount equal to the Applicable Percentage of the of the Target Benefit Amount, assuming a payment commencement date of the first (1st) day of the first (1st) month immediately following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) per year increase in the Executive Benefit amount.

(b) If Executive has not attained an Applicable Percentage of one hundred percent (100%), he shall forfeit any and all rights and benefits he may have under the terms of this Agreement and shall have no right to be paid any of the amounts which would otherwise be due or paid to the Executive by the Bank pursuant to the terms of this Agreement.

B. Payment Method. This Executive Benefit shall be paid in one (1) lump sum one (1) year following Separation From Service.

5.4 Termination Following a Change in Control. Other than amounts due as a result of Disability, then following a Change in Control, this Paragraph 5.4 shall determine the Executive Benefit due in the event of a Separation From Service at any time following such Change in Control.

A. Benefit Amount.

(1) Involuntary Termination or Termination for Good Reason. In the event Executive is Involuntarily Terminated or Terminates for Good Reason following a Change in Control and prior to attaining the Normal Retirement Age, then the Applicable Percentage shall be deemed to be that percentage Executive would have received had he Remained Employed until attaining the Normal Retirement Age. In the event Executive has already attained the Normal Retirement Age at the time of an Involuntary Termination or a Termination for Good Reason following a Change in Control, then Executive's Applicable Percentage shall be determined pursuant to the provisions of Paragraph 2.3. Executive shall then be entitled to receive an annual amount calculated as follows: the Applicable Percentage of the Target Benefit Amount*. Executive shall NOT be subject to the non-compete provisions of Article VI below.

(*As stated in Paragraph 5.4B, whether paid as an annuity or lump sum, this Executive Benefit shall reflect a two percent (2%) annual

benefit increase, and when paid as an annuity prior to Normal Retirement, shall be subject to the Early Commencement Reduction Factor).

(2) Voluntary Termination. In the event Executive Voluntarily Separates From Service following a Change in Control, then Executive shall be entitled to receive one of the following amounts, depending on the circumstances specified below:

a. If Executive has attained the Early Retirement Age and has completed ten (10) Years of Service, or if he has attained an Applicable Percentage of one hundred percent (100%), or if he has attained the Normal Retirement Age at the time of such Separation From Service, then he shall receive an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount*. Executive shall be subject to the provisions of Article VI below. (*As stated in Paragraph 5.4B, whether paid as an annuity or lump sum, this Executive Benefit shall reflect a two percent (2%) annual benefit increase, and when paid as an annuity prior to Normal Retirement, shall be subject to the Early Commencement Reduction Factor).

b. In the event Executive Voluntarily Separates From Service following a Change in Control but does not satisfy the requirements of Paragraph 5.4A(2)a above, then he shall forfeit all rights and benefits he may have had under the terms of this Agreement.

B. Benefit Payments. If Executive is entitled to receive a benefit pursuant to the terms of this Paragraph 5.4A above, then the benefit shall be payable as follows:

(1) In the event Executive has attained at least the Early Retirement Age at the time of Separation From Service, then Executive Benefit payments shall commence on the first (1st) day of the first (1st) month following the Executive's Separation From Service and shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first (1st) day of the first (1st) month following Executive's Separation From Service and continuing until the death of Executive. The forgoing shall be subject to the Early Commencement Reduction Factor for payments commencing before the Normal Retirement Age. In addition to the forgoing, the annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first (1st) anniversary of the first (1st) Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.

- (2) In the event Executive has not yet attained the Early Retirement Age as of the date of Separation From Service, then the Executive Benefit defined above in Paragraph 5.4A shall be paid out as an Actuarial Equivalent value, assuming a lifetime benefit with a payment commencement date of the first (1st) day of the first (1st) month following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) annual increase in Executive Benefit amounts. This Actuarial Equivalent amount shall be paid in one (1) lump sum one (1) year following Separation From Service.

5.5 **Disability.**

- A. **Benefit Amount.** Subject to the provisions of Article VI below, in the event that Executive becomes Disabled prior to Separating From Service, then upon such Disability, Executive shall be entitled to receive one (1) of the following amounts, depending on circumstances:
- (1) In the event Executive becomes Disabled prior to attaining the Normal Retirement Age, then Executive shall be entitled to be paid a lump sum amount equal to the Actuarial Equivalent value of the following: a lifetime benefit with annual payments equal to the Applicable Percentage that Executive would have achieved had he remained employed until the Normal Retirement Age, multiplied by the Target Benefit Amount, and assuming a payment commencement date of the Normal Retirement Age, and factoring in a two percent (2%) annual increase in Executive Benefit amounts. In addition, for the purposes of this provision, the Target Benefit Amount shall be determined based on the following assumptions: it shall be assumed that for each year following Executive becoming Disabled, Executive's Base Salary will increase annually at a rate of three percent (3%) each year on anniversary of Executive's date of hire until such time as Executive attains the Normal Retirement Age.
- (2) In the event Executive becomes Disabled after attaining the Normal Retirement Age, then the Executive shall be entitled to be paid a lump sum amount equal to the Actuarial Equivalent value of the following: a lifetime benefit with annual payments equal to the Applicable Percentage (as of the date of Separation from Service) of the Target Benefit Amount, assuming a payment commencement date of the date of Disability, and factoring in a two percent (2%) annual increase in Executive Benefit amounts.
- B. **Benefit Payments.** All amounts due as a result of Disability shall be paid in one (1) lump sum on the first (1st) day of the first (1st) month following Disability.

5.6 Termination For Cause. In the event Executive is Terminated For Cause at any time after the effective date of this Agreement, then he shall forfeit any and all rights and benefits he may have under the terms of this Agreement and shall have no right to be paid any of the amounts which would otherwise be due or paid to the Executive by the Bank pursuant to the terms of this Agreement.

5.7 Death.

A. Benefit Amount and Payment.

- (1) Death prior to Separation From Service. In the event Executive dies prior to Separating From Service, then there are no death benefits payable under this Agreement. Any such benefits would be payable pursuant to a Split Dollar Life Insurance Agreement, if any exists.
- (2) Death after Separation From Service and after becoming entitled to receive payment, but prior to receiving any or all such payments. In the event Executive dies after Separating From Service and after becoming entitled to the benefits specified under this Agreement, then payments shall only be made following Executive's death if Executive has elected a joint and survivor payment option.

ARTICLE VI

NON-COMPETITION AND NON-SOLICITATION/NON-INTERFERENCE; FORFEITURE IN THE EVENT OF BREACH; MANDATORY ARBITRATION

6.1 Non-Competition. Notwithstanding any other provision of this Agreement, the Executive Benefit due pursuant to the provisions of Paragraphs 5.1, 5.2, 5.3, 5.4A(2), and 5.5 shall be forfeited and no Executive Benefit shall be due Executive hereunder if Executive enters into any Competitive Activity on behalf of a Conflicting Organization in Employer's Market Area during Executive's employment or within the two (2) year period following the date of Executive's Separation From Service.

6.2 Non-Solicitation. The restrictions in Paragraph 6.1 also include without limitation, for a period of two (2) years following the date of Executive's Separation from Service, Executive shall not solicit, directly or indirectly, on behalf of a Conflicting Organization in Employer's Market Area, any customer, client, or employee of Employer. Specifically, Executive may not, directly or indirectly:

- A. Solicit, or attempt to solicit, induce, invite, encourage, recommend, request, or participate in recruiting any client or customer of Employer to terminate or change the client or customer's relationship with Employer, including without limitation, transferring the client or customer's business to a Conflicting Organization; or

- B. Solicit or attempt to solicit, induce, invite, encourage, recommend, request, or participate in recruiting any employee, current or future, of Employer, to leave employment with Employer in order to participate, as an employee or otherwise, in any manner in Competitive Activity for a Conflicting Organization, or to hire or cause to be hired or assist in the hiring of Employer's current or future employees by a Conflicting Organization, or provide information to any third party to suggest, encourage, aid or facilitate such solicitation, inducement, recruitment or hiring.

Solicitation prohibited under this Paragraph 6.2 includes solicitation by any means, including, without limitation, meetings, phone calls, letters or other mailings, and electronic and internet communications of any kind, or any other type of conduct intended or reasonably calculated to induce or urge a client, customer, or employee to discontinue, in whole or in part, its employment or business relationship with Employer.

6.3 Injunctive Relief. Executive acknowledges and agrees that Employer has a legitimate business interest in enforcement of the restrictions in this Article VI, including without limitation, Employer's need to protect the goodwill of Employer's business, Employer's client relationships, the stability of Employer's workforce, and other such legitimate business interests. In the event that Executive breaches or threatens to breach, or Employer reasonably believes that Executive is about to breach the obligations of this Article, Executive acknowledges and agrees that Employer shall be entitled to obtain injunctive relief in state or federal court, in addition to, and not in lieu of, any other legal or equitable rights and remedies available to Employer. Executive acknowledges and agrees that Employer will suffer immediate and irreparable harm from such breach or threatened breach and that money damages will not be adequate to compensate Employer or to protect and preserve the status quo.

6.4 Enforceability. If an arbitrator or a court of competent jurisdiction shall find any provision of this Article VI illegal or unenforceable, the arbitrator or court may reform such provision to the extent necessary to render the otherwise unenforceable provision, and the rest of the Agreement, valid and enforceable, and so as to permit maximum restrictions that are legal and enforceable to be applied to the Executive's ability to compete with Employer. If an arbitrator or court declines to amend any such provision as provided herein, the invalidity or unenforceability of any such provision shall not affect the validity or enforceability of the remaining provisions, which shall be enforced as if the offending provision had not been included in this Agreement.

6.5 Excuse/Reimbursement Right. To the extent that Executive is paid an Executive Benefit under this Agreement and breaches this provision, Employer shall not only be excused from paying any future benefit, but Employer shall have the right to seek reimbursement for all amounts previously paid out under this Agreement, to the extent allowed by law.

6.6 Arbitration. All controversies and claims arising under or relating to this Article VI, including the scope of this mandatory arbitration provision, shall be submitted to binding arbitration before a single arbitrator to be selected by the parties. Notice of the demand for arbitration shall be in writing and served on the other party to this Plan. Within ten (10) days after notice by one party to the other of its demand for arbitration, the parties shall confer as to the selection of an

arbitrator. The arbitration shall be subject to the rules of procedure established by the Employment Arbitration Rules of the American Arbitration Association, and shall be conducted in Tacoma, Washington, unless otherwise agreed to by the parties. The arbitrator shall apply Washington law, without regard to its choice of law principles. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute, or other matter in question would be barred by the applicable statute of limitations. Any award, order or judgment pursuant to the arbitration shall be final and binding upon the parties and their successors and assigns, and may be entered and enforced in any court of competent jurisdiction. The requirements of this Paragraph do not prohibit the filing of a court action by either party for temporary equitable relief in aid of arbitration, and as provided in Paragraphs 6.3 and 6.4 above. Each party irrevocably submits to the exclusive jurisdiction and venue of the federal and state courts of Washington in any legal suit, action or proceeding for purposes of (a) enforcing this arbitration provision, (b) entering and enforcing any award, order, or judgment pursuant to this arbitration provision, and (c) any legal suit, action or proceeding to obtain temporary equitable relief as set forth above.

ARTICLE VII

ADMINISTRATION

7.1 Committee and Duties. This Plan shall be administered by an Administrative Committee which shall consist of not less than three (3) persons appointed by the Board of Directors. Any member of the Committee may be removed at any time by the Board. Any member may resign by delivering his written resignation to the Board. Upon the existence of any vacancy, the Board may appoint a successor. The Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan. A majority of the members of the Committee shall constitute a quorum for the transaction of business. A majority vote of the Committee members constituting a quorum shall control any decision.

7.2 Agents. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to Employer.

7.3 Binding Effect of Decisions. The decision or action of the Committee in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

7.4 Indemnity of Committee. Employer shall indemnify and hold harmless the members of the Committee against any and all claims, loss, damage, expense, or liability arising from any action or failure to act with respect to this Plan, except in the case of gross negligence or willful misconduct.

ARTICLE VIII

CLAIMS PROCEDURE

8.1 Claim. In the event a dispute arises over the benefits under this executive Plan and benefits are not paid to the Executive (or to the Executive's beneficiary[ies], if applicable) and such claimants feel they are entitled to receive such benefits, then a written claim must be made to the Named Fiduciary and Plan Administrator named above in accordance with the following procedures:

- A. Written Claim. The claimant may file a written request for such benefit to the Plan Administrator.
- B. Claim Decision. Upon receipt of such claim, the Plan Administrator shall respond to such claimant within ninety (90) days after receiving the claim. If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the response period by an additional ninety (90) days for reasonable cause by notifying the claimant in writing, prior to the end of the initial ninety (90) day period, that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Plan Administrator expects to render its decision.

If the claim is denied in whole or in part, the Plan Administrator shall notify the claimant in writing of such denial. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (i) The specific reasons for the denial;
 - (ii) The specific reference to pertinent provisions of the Agreement on which the denial is based;
 - (iii) A description of any additional information or material necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary;
 - (iv) Appropriate information as to the steps to be taken if the claimant wishes to submit the claim for review and the time limits applicable to such procedures; and
 - (v) A statement of the claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.
- C. Request for Review. Within sixty (60) days after receiving notice from the Plan Administrator that a claim has been denied (in part or all of the claim), then claimant (or their duly authorized representative) may file with the Plan Administrator, a written request for a review of the denial of the claim.

The claimant (or his duly authorized representative) shall then have the opportunity to submit written comments, documents, records and other information relating to the claim. The Plan Administrator shall also provide the claimant, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits.

- D. Decision on Review. The Plan Administrator shall respond in writing to such claimant within sixty (60) days after receiving the request for review. If the Plan Administrator determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the claimant prior to the termination of the initial sixty (60) day period. In no event shall such extension exceed a period of sixty (60) days from the end of the initial period. The notice of extension must set forth the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render its decision.

In considering the review, the Plan Administrator shall take into account all materials and information the claimant submits relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

The Plan Administrator shall notify the claimant in writing of its decision on review. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (i) The specific reasons for the denial;
- (ii) A reference to the specific provisions of the Agreement on which the denial is based;
- (iii) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits; and
- (iv) A statement of the claimant's right to bring a civil action under ERISA Section 502(a).

- E. Special Timing Rules for Disability Claims. In the event a claim above is a claim for disability benefits, then the applicable time periods for notifying claimants regarding benefits determinations shall be reduced as required by 29 CFR 2560.503-1 (I.e., (a) the ninety (90) day response time with the possibility of a ninety (90) day extension in Section 8.2B shall be shortened to a forty-five (45) day response time with the possibility of a thirty (30) day extension, and (b) the sixty (60) day response time with the possibility of a

sixty (60) day extension in shall be shortened to a forty-five (45) day response time with the possibility of a forty-five (45) day extension). In addition, in the event of a disability claim, the Bank shall identify any medical or vocational expert whose advice was obtained by the Plan in connection with the initial benefit determination, without regard to whether the advice was relied upon. If the review is from an adverse benefit determination that was based in whole or in part on a medical judgment, the Bank shall consult with a health care professional that has appropriate training and experience in the field of medicine involved in the medical judgment and who is neither the individual who was consulted in connection with the adverse benefit determination that is under review nor the subordinate of such individual. Any review of the denial of a claim made on account of disability shall be conducted by a person or persons who neither had any part in the initial benefit determination nor are subordinates of the persons who did.

8.2 Arbitration of Disputes. Other than as addressed in Article VI, all unresolved claims, disputes and other matters in question arising out of or relating to this Plan or the breach or interpretation thereof, (including the scope of this mandatory arbitration provision), other than those matters which are to be determined by Employer in its sole and absolute discretion, shall be resolved by binding arbitration before a single arbitrator to be selected by the parties (unless prohibited by ERISA). Notice of the demand for arbitration shall be in writing and served on the other party to this Plan. Within ten (10) days after notice by one party to the other of its demand for arbitration, the parties shall confer as to the selection of an arbitrator. The arbitration shall be subject to the rules of procedure established by the Employment Arbitration Rules of the American Arbitration Association (“AAA”), and shall be conducted in Tacoma, Washington, unless otherwise agreed to by the parties. The arbitrator shall apply Washington law, without regard to its choice of law principles. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations. Any award, order or judgment pursuant to the arbitration shall be final and binding upon the parties and their successors and assigns, and may be entered and enforced in any court of competent jurisdiction. The requirements of this Paragraph do not prohibit the filing of a court action by either party for temporary equitable relief in aid of arbitration. Each party irrevocably submits to the exclusive jurisdiction and venue of the federal and state courts of Washington in any legal suit, action or proceeding for purposes of (a) enforcing this arbitration provision, (b) entering and enforcing any award, order, or judgment pursuant to this arbitration provision, and (c) any legal suit, action or proceeding to obtain temporary equitable relief as set forth above.

8.3 Attorneys’ Fees. In the event of any arbitration or litigation concerning any controversy, claim or dispute between the parties hereto, arising out of or relating to this Agreement or the breach hereof, or the interpretation hereof, to the extent permitted by law (a) each party shall pay his own attorneys’ arbitration and legal fees incurred pursuant to this Agreement; and (b) if Executive prevails, he shall be entitled to recover from the other party reasonable expenses, attorneys' fees and costs incurred in the enforcement or collection of any judgment or award rendered. The

term "prevails" applies if the arbitrator(s) or court finds that Executive is entitled to contested money payments from the other, but does not necessarily imply a judgment rendered in favor of Executive.

ARTICLE IX

MISCELLANEOUS

9.1 Unfunded Plan. This Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly compensated employees" within the meaning of Sections 201, 301, and 401 of the Employee Retirement Income Security act of 1974, as amended ("ERISA"), and therefore to be exempt from the provisions of Parts 2, 3, and 4 of Title I ERISA. Accordingly, the Plan shall terminate and no further benefits shall be paid hereunder in the event it is determined by a court of competent jurisdiction or by an opinion of counsel that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA which is not so exempt.

9.2 Status as an Unsecured General Creditor and Rabbi Trust. Notwithstanding anything contained herein to the contrary: (i) the Executive shall have no legal or equitable rights, interests or claims in or to any specific property or assets of Employer as a result of this Agreement; (ii) none of the Employer's assets shall be held in or under any trust for the benefit of the Executive or held in any way as security for the fulfillment of the obligations of the Employer under this Agreement; (iii) all of the Employer's assets shall be and remain the general unpledged and unrestricted assets of the Employer; (iv) the Employer's obligation under this Agreement shall be that of an unfunded and unsecured promise by the Employer to pay money in the future; and (v) the Executive shall be an unsecured general creditor with respect to any benefits which may be payable under the terms of this Agreement.

Notwithstanding subparagraphs (i) through (v) above, the Employer and the Executive acknowledge and agree that, in the event of a Change in Control, upon request of the Executive, or in the Employer's discretion if the Executive does not so request and the Employer nonetheless deems it appropriate, the Employer shall establish, not later than the effective date of the Change in Control, a Rabbi Trust or multiple Rabbi Trusts (the "Trust" or "Trusts") upon such terms and conditions as the Employer, in its sole discretion, deems appropriate and in compliance with applicable provisions of the Code, in order to permit the Employer to make contributions and/or transfer assets to the Trust or Trusts to discharge its obligations pursuant to this Agreement. The principal of the Trust or Trusts and any earnings thereon shall be held separate and apart from other funds of the Employer to be used exclusively for discharge of the Employer's obligations pursuant to this Agreement and shall continue to be subject to the claims of the Employer's general creditors until paid to the Executive in such manner and at such times as specified in this Agreement.

9.3 Non-assignability. Neither Executive nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and nontransferable. No part of the amount payable shall, prior to actual payment, be subject to

seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by Executive or any other person, nor be transferable by operation of law in the event of Executive's or any other person's bankruptcy or insolvency.

9.4 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between Employer and the Executive, and the Executive (or his beneficiary, if applicable) shall have no rights against Employer except as may otherwise be specifically provided herein. Moreover, nothing in this Plan shall be deemed to give Executive the right to be retained in the service of Employer or to interfere with the right of Employer to discipline or discharge him at any time.

9.5 Protective Provisions. Executive will cooperate with Employer by furnishing any and all information requested by Employer, in order to facilitate the payment of benefit hereunder, and by taking such physical examinations as Employer may deem necessary and taking such other action as may be requested by Employer.

9.6 Terms. Whenever any words are used herein in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or singular, as the case may be, in all cases where they would so apply.

9.7 Captions. The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

9.8 Governing Law. The provisions of this Plan shall be construed, interpreted, and governed in all respects in accordance with applicable federal law and, to the extent not preempted by such federal law, in accordance with the laws of the State of Washington.

9.9 Binding Effect/Merger or Reorganization. This Agreement shall be binding upon and inure to the benefit of the Executive and the Bank. Accordingly, the Bank shall not merge or consolidate into or with another corporation, or reorganize or sell substantially all of its assets to another corporation, firm or person, unless and until such succeeding or continuing corporation, firm or person agrees to assume and discharge the obligations of the Bank under this Agreement. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of Employer, and successors of any such corporation or other business entity.

9.10 Nonwaiver. The failure of either party to enforce at any time or for any period of time any one or more of the terms or conditions of this Agreement shall not be a waiver of such term(s) or condition(s) or of that party's right thereafter to enforce each and every term and condition of this Agreement.

9.11 Partial Invalidity/Severability. If any term, provision, covenant, or condition of this Agreement is determined by an arbitrator or a court, as the case may be, to be invalid, illegal, void, or unenforceable, then such term, provision, covenant, or condition shall be deemed ineffective and unenforceable and shall be deemed separable from the remaining provisions of this Agreement. Further, such determination shall not render any other term, provision, covenant illegal, void or unenforceable, and the remaining terms, provisions, covenants, and conditions of the Agreement shall remain in full force and effect notwithstanding such partial invalidity.

9.12 Entire Agreement. Each party to this Agreement acknowledges that no other representations, inducements, promises, or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not set forth herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding on either party. Executive and the Employer understand, acknowledge and agree that Executive and the Employer have entered into other agreements that contain either change-in-control terms or restrictive covenants, including without limitation a Change in Control Agreement. The parties understand, acknowledge and agree that the terms of this Agreement are not intended by Executive or the Employer, and shall not be interpreted by any party, court or arbitrator to, supersede, modify, amend, change, negate, cancel or render null or void any other change-in-control terms or restrictive covenants between the parties contained in any such other agreements (or any amendments or restatements thereof).

9.13 Modifications. Any modification of this Agreement shall be effective only if it is in writing and signed by each party or such party's authorized representative, and only to the extent that it is compliant with all applicable codes and statutes, including but not limited to IRC 409A.

9.14 Notice. Any notice required or permitted of either the Executive or the Bank under this Agreement shall be deemed to have been duly given, if by personal delivery, upon the date received by the party or its authorized representative; if by facsimile, upon transmission to a telephone number previously provided by the party to whom the facsimile is transmitted as reflected in the records of the party transmitting the facsimile and upon reasonable confirmation of such transmission; and if by mail, on the third day after mailing via U.S. first class mail, registered or certified, postage prepaid and return receipt requested, and addressed to the party at the address given below for the receipt of notices, or such changed address as may be requested in writing by a party.

If to the Bank: Columbia State Bank
 1301 A Street
 Tacoma, WA 98402
 Attention: Corporate Secretary/Cathleen Dent

If to the Executive: David Lawson
 9114 28th Street Ct. E.
 Edgewood, WA 98371

9.15 IRS Section 280G Issues . If all or any portion of the amounts payable to the Executive under this Agreement, either alone or together with other payments which the Executive has the right to receive from Employer, constitute "excess parachute payments" within the meaning of Section 280G of the Code that are subject to the excise tax imposed by Section 4999 of the Code (or similar tax and/or assessment), Executive shall be responsible for the payment of such excise tax and Employer (and its successor) shall be responsible for any loss of deductibility related thereto; provided, however, that Employer and Executive shall cooperate with each other and use all reasonable efforts to minimize to the fullest extent possible the amount of excise tax imposed by Section 4999 of the Code, but only to the extent that any agreement to minimize the impact of the Section 4999 excise tax shall comply in all respects with all applicable laws, including IRC 409A and regulations thereunder. If, at a later date, it is determined (pursuant to final regulations or published rulings of the Internal Revenue Service, final judgment of a court of competent jurisdiction, or otherwise) that the amount of excise taxes payable by the Executive is greater than the amount initially so determined, then Executive shall pay an amount equal to the sum of such additional excise taxes and any interest, fines and penalties resulting from such underpayment. The determination of the amount of any such excise taxes shall be made by the independent accounting firm employed by Employer immediately prior to the change in control or such other independent accounting firm or advisor as may be mutually agreeable to Employer and Executive in the exercise of their reasonable good faith judgment.

9.16 Opportunity To Consult With Independent Advisors. The Executive acknowledges that he has been afforded the opportunity to consult with independent advisors of his choosing including, without limitation, accountants or tax advisors and counsel regarding both the benefits granted to him under the terms of this Agreement and the (i) terms and conditions which may affect the Executive's right to these benefits and (ii) personal tax effects of such benefits including, without limitation, the effects of any federal or state taxes, Section 280G of the Code, and any other taxes, costs, expenses or liabilities whatsoever related to such benefits, which in any of the foregoing instances the Executive acknowledges and agrees shall be the sole responsibility of the Executive notwithstanding any other term or provision of this Agreement. The Executive further acknowledges and agrees that the Bank shall have no liability whatsoever related to any such personal tax effects or other personal costs, expenses, or liabilities applicable to the Executive and further specifically waives any right for himself or herself, and his or her heirs, beneficiaries, legal representatives, agents, successor and assign to claim or assert liability on the part of the Bank related to the matters described above in this paragraph. The Executive further acknowledges that he has read, understands and consents to all of the terms and conditions of this Agreement, and that he enters into this Agreement with a full understanding of its terms and conditions.

EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE HAS RECEIVED AND READ OR HAS HAD THE OPPORTUNITY TO READ THIS AGREEMENT, INCLUDING WITHOUT LIMITATION THE AGREEMENTS TO ARBITRATION OF DISPUTES UNDER PARAGRAPHS 6.6 AND 8.2. EXECUTIVE ACKNOWLEDGES AND UNDERSTANDS THAT THIS AGREEMENT TO ARBITRATION OF DISPUTES

REQUIRES THAT DISPUTES THAT INVOLVE THE MATTERS SUBJECT TO THE AGREEMENT BE SUBMITTED TO MEDIATION OR ARBITRATION PURSUANT TO THE ARBITRATION AGREEMENT RATHER THAN TO A JUDGE AND JURY IN COURT.

COLUMBIA STATE BANK

By: /s/ MELANIE J. DRESSEL

Date: February 27, 2015

Authorized Executive

Title: President and Chief Executive Officer

/s/ DAVID C. LAWSON February 26, 2015

DAVID C. LAWSON

Executive- Signature and Date

Print Name

EXHIBIT A
TO THE FIRST AMENDED AND RESTATED COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR DAVID LAWSON

The following table is intended ONLY to demonstrate Executive's projected salary at various times and based on the assumptions below. This table does not address actual benefits to be paid based on the varying circumstances of Separation From Service, Change in Control, etc., or based on benefits being paid out prior to attainment of the Early Retirement Age, paid out as actuarial equivalent amounts or reduced by the Early Commencement Reduction Factor. In addition, this table does not address the limiting language contained in the definition of Target Benefit Amount, such that the Target Benefit Amount is defined as the 60% of the average of Executive's three highest years of Base Salary.

Date of Separation from Service	Projected Salary	Three Year Average	60% of Salary	Applicable Percentage	Adjusted Benefit
July 1, 2013 through June 30, 2014	\$225,000	\$ 225,000	\$135,000	0%	\$ -
July 1, 2014 through June 30, 2015	\$231,750	\$ 228,375	\$137,025	0%	\$ -
July 1, 2015 through June 30, 2016	\$238,703	\$ 231,818	\$139,091	0%	\$ -
July 1, 2016 through June 30, 2017	\$245,864	\$ 238,772	\$143,263	15%	\$ 21,489
July 1, 2017 through June 30, 2018	\$253,239	\$ 245,935	\$147,561	20%	\$ 29,512
July 1, 2018 through June 30, 2019	\$260,837	\$ 253,313	\$151,988	25%	\$ 37,997
July 1, 2019 through June 30, 2020	\$268,662	\$ 260,913	\$156,548	30%	\$ 46,964
July 1, 2020 through June 30, 2021	\$276,722	\$ 268,740	\$161,244	35%	\$ 56,435
July 1, 2021 through June 30, 2022	\$285,023	\$ 276,802	\$166,081	40%	\$ 66,433
*July 1, 2022 through June 30, 2023	\$293,574	\$ 285,106	\$171,064	45%	\$ 76,979
July 1, 2023 through June 30, 2024	\$302,381	\$ 293,659	\$176,196	50%	\$ 88,098
July 1, 2024 through June 30, 2025	\$311,453	\$ 302,469	\$181,482	55%	\$ 99,815
July 1, 2025 through June 30, 2026	\$320,796	\$ 311,543	\$186,926	60%	\$112,156
July 1, 2026 through June 30, 2027	\$330,420	\$ 320,890	\$192,534	65%	\$125,147
July 1, 2027 through June 30, 2028	\$340,333	\$ 330,516	\$198,310	70%	\$138,817
July 1, 2028 through June 30, 2029	\$350,543	\$ 340,432	\$204,259	75%	\$153,194
July 1, 2029 through June 30, 2030	\$361,059	\$ 350,645	\$210,387	80%	\$168,309
July 1, 2030 through June 30, 2031	\$371,891	\$ 361,164	\$216,698	85%	\$184,194
July 1, 2031 through June 30, 2032	\$383,047	\$ 371,999	\$223,199	90%	\$200,879
July 1, 2032 through June 30, 2033	\$394,539	\$ 383,159	\$229,895	95%	\$218,401
July 1, 2033 and thereafter	\$406,375	\$ 394,654	\$236,792	100%	\$236,792

*Turns 65 in April, 2.3 months short of next vesting period.

(1) Salary projected to grow annually at 3%.

(2) The above chart is intended for illustrative purposes only and does not reflect any Early Commencement Reduction Factor.

These figures are provided ONLY as an example of potential salary and benefit amounts. These numbers are provided for illustration purposes only and are in no way a guarantee of benefits or amounts.

The assumptions used to calculate these amounts will only be determined at the time benefits become due, and thus there can be no guarantee of salary or benefits at the time this agreement is put into place.

EXHIBIT B
TO THE FIRST AMENDED AND RESTATED
COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR DAVID LAWSON

DISTRIBUTION ELECTION FORM

Pursuant to the terms of the Supplemental Executive Compensation Agreement, by and between me, _____, and Columbia State Bank (hereinafter "Bank"), effective as of July 1, 2013, and thereafter amended by the First Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement ("Agreement"), I have been granted a supplemental compensation benefit. Terms which are "defined terms" in the Agreement shall have the same meaning within this Distribution Election Form.

Pursuant to IRC 409A, there are multiple restrictions and limitations regarding modifying the time and/or form of such payments; however an exception to these restrictions permits elections to change from a life annuity to another actuarially equivalent life annuity (prior to payments beginning).

In the event no alternate method is selected above, then amounts due under this Agreement shall be paid out as a single life annuity based on the life of the Executive. Subject to the forgoing, and provided that payments have not yet begun, Executive may elect to have the Executive Benefit paid as follows:

Election of Actuarial Equivalent of Form of Benefit For Married Participant or Participant with Domestic Partner. Pursuant to the terms of the Agreement, and consistent with IRC 409A, instead of having my benefit paid as a single life annuity, with payments continuing until my death, I elect to have my benefit paid to me as designated below:

_____ A joint and survivor annuity with an actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse (registered domestic partner) in the same amount as the amount paid to me.

_____ A joint and survivor annuity in equal value to the actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to my surviving spouse (registered domestic partner) in one-half of the amount paid to me.

Acknowledgment of Limitations on Changes in Time and Form of Payment of Benefits. All Actuarially Equivalent valuations must be in compliance with IRC 409A and 1.409A-2(b)(2)(ii). In addition, when determining whether two life annuities are Actuarially Equivalent, the same actuarial assumptions and methods must be used in valuing each life annuity. This requirement

applies over the entire term of Executive's participation in the Plan, such that the annuities must be actuarially equivalent at all times for the annuity options to be treated as one time and form of payment. However, provided the actuarial methods and assumptions are reasonable, there is no requirement that consistent actuarial assumptions and methods be used over the term of the Executive's participation in the Plan. Accordingly, the Plan may change the actuarial assumptions and methods used to determine the life annuity payments, provided that all of the actuarial assumptions and methods are reasonable.

In the event, however, that a joint and survivor annuity option is selected, and that Executive's spouse predeceases Executive, then for all payments made to Executive after the Executive's spouse's death, the amounts payable under this Agreement shall increase and be equal to the payment amounts Executive would have received under a single life annuity option. In addition, Executive shall no longer have the ability to make a new joint and survivor annuity election.

In the event no alternate method is selected above, then amounts due under this Agreement shall be paid out as a single life annuity.

EXECUTIVE:_____ Print Name: _____

Dated: __

**EXHIBIT C
TO THE FIRST AMENDED AND RESTATED
COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR DAVID LAWSON**

The following figures are provided ONLY as an example of potential benefit amounts in the event Executive Separates From Service at Normal Retirement Age:

Annual Payment Single Life Annuity Option (Executive's lifetime only): \$88,098.

Election of the joint and survivor annuity with an actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse in the same amount as the amount paid to the Executive might result in an annual benefit of \$73,504.

Election of the joint and survivor annuity in equal value to the actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse in one-half of the amount paid to Executive might result in an annual benefit of \$80,142 paid to Executive during their lifetime, with a benefit of \$40,071 being paid to Executive's spouse upon Executive's death.

THESE NUMBERS ARE PROVIDED FOR ILLUSTRATION PURPOSES ONLY AND ARE IN NO WAY A GUARANTEE OF BENEFITS OR AMOUNTS.

THE ASSUMPTIONS USED TO CALCULATE ACTUAL BENEFITS WILL ONLY BE DETERMINED AT THE TIME BENEFITS BECOME DUE, AND THUS THERE CAN BE NO GUARANTEE OF ANNUITY AMOUNTS AT THE TIME THIS AGREEMENT IS PUT INTO PLACE.

**FIRST AMENDMENT TO THE
RESTATED AND AMENDED
WEST COAST BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
(Acquired by Columbia State Banking System, Inc.)**

Whereas the original Supplemental Executive Retirement Plan Agreement by and between West Coast Bancorp, West Coast Bank and Hadley S. Robbins was entered into effective as of April 1, 2007 (hereafter “Original SERP Agreement”); and

Whereas the parties agreed to restate and amend the Original SERP Agreement in 2009 and entered into the Restated and Amended West Coast Bank Supplemental Executive Retirement Plan effective as of January 1, 2009 (“Restated SERP”); and

Whereas Columbia Banking System, Inc. acquired West Coast Banking System, Inc. and West Coast Bank in approximately April of 2013, and has agreed to assume all liabilities under the Original Agreement; and

Whereas Columbia Banking System, Inc. and Columbia State Bank, its wholly owned subsidiary (hereinafter referred to as “the Bank” or “Employer”), and Hadley S. Robbins (“Executive”) now seek to amend the Restated SERP with this First Amendment to the Restated and Amended West Coast Bank Supplemental Executive Retirement Plan Agreement (“Amendment”), effective this first (1st) day of April, 2014, the parties hereby agree as follows:

RECITATIONS

It is the intent of the parties to not only comply with Internal Revenue Code Section 409A, but also to eliminate any provisions in the Original Agreement which may serve as an incentive for Executive to terminate his employment within the two (2) year Change in Control window. Wherefore, the parties now agree to amend the Original Agreement as follows:

AGREEMENT

The parties now hereby agree to waive all vesting requirements relating to Executive’s required Separation From Service in order to become vested in the Change in Control Benefit under Paragraph 3.5 of the Restated SERP. Because of this immediate vesting in the benefit provided under Paragraph 3.5, the “ **Amount of Benefit** ” appearing in 3.5(a) will be deleted and replaced with the following:

- (a) **Amount of Benefit.** The Change in Control Benefit is an annual benefit equal to thirty-five percent (35%) of the Executive’s base salary for the year 2013.

Executive has elected a lump sum payment pursuant to the provisions of Paragraph 3.5(b) and 3.6 (b), however, the methodology for calculating such lump sum payment under Paragraph 3.6(b)(3) shall be removed in its entirety, and the following language shall replace the existing Paragraph 3.6(b)(3):

(3) ***Change in Control Benefit.*** The present value of the Change in Control Benefit (as of the effective date of this Amendment), as determined using an annual discount rate of six percent (6%) compounded monthly. In addition, whereas the Change in Control benefit pursuant to the Restated SERP was contingent upon a separation from service within two (2) years following a Change in Control, and whereas this condition has been waived, thereby causing Executive to become vested in the benefit under Paragraph 3.5(a) as of the date of this Amendment, the parties now hereby intend to compensate Executive for the period of time between the date of this Amendment and the payment of the Benefit, during which time Executive was not in actual receipt of the Benefit. Therefore, in addition to the present value of the benefit above, Executive shall also receive interest on such amount at the annual rate of six percent (6%) compounded monthly.

The payment date specified in the Restated SERP shall remain unchanged.

Because vesting has been accelerated with respect to the benefit provided under Paragraph 3.5, the entire section entitled “Article 4 Death Benefits”, appearing on pages 7-8 of the Restated SERP shall be deleted in its entirety.

In addition to the forgoing, paragraphs 7.2(a) - (d) appearing on pages 11-12 of the Restated SERP shall be deleted in their entirety and shall be replaced with the following:

(a) **Forfeiture in the Event of Breach of Non-Competition Agreement.** Notwithstanding any other provision of this Agreement, the Executive Benefit due herein shall be forfeited and no Executive Benefit shall be due the Executive hereunder if the Executive enters into “Competitive Activity” in the Employer's “Market Area” within the two (2) year period beginning on the date of the Executive's Termination of Employment. To the extent Executive is paid an Executive Benefit under this Agreement and breaches this provision, Employer shall not only be excused from paying any future benefit, but Employer shall have the right to seek reimbursement for all amounts previously paid out under this Agreement.

For the purposes of this Agreement, “Competitive Activity” is defined as acting directly or indirectly as an employee, agent, stockholder (other than passive holdings of less than two percent (2%) of the outstanding shares of a publicly-traded company), member, officer, director, co-partner, advisor, or in any other individual or representative capacity, on behalf of any “Conflicting Organization.” A “Conflicting Organization” shall be any person, entity, or organization engaged (or about to become engaged) in a business similar to, or that competes with, the business of Employer, including without limitation any bank or financial institution (including without limitation any trust company, finance company, or leasing company). In addition, “Employer’s Market Area” shall be defined as including the following locations, either during Executive’s employment or at the time of Executive’s Separation From Service or Disability:

- (i) Any counties in the States of Washington, Oregon or Idaho in which Employer maintains a branch or other office, and all counties bordering on any such county, or

- (ii) Any counties in other States in which Employer maintains a branch or other office at the time of Executive's Separation From Service or Disability, and all counties bordering on any such county, or
- (iii) Any other county in which Employer has bona fide documented plans to establish a branch or office, as demonstrated by minutes of board of director meetings, regulatory correspondence, or other written communications with third parties (including legal or financial advisers) with respect to such geographic expansion, and of which Executive is aware due to his employment with Employer.

Executive acknowledges that Employer currently has operations in various counties within the states of Washington, Oregon or Idaho that Employer plans to continue to expand its operations and presence within these states and other states, and that as a member of Employer's senior management, Executive's services are integral to these operations and expansion plans.

Finally, Paragraph 10.11(d) shall be deleted in its entirety.

To the extent that any paragraph, term, or provision of the Restated SERP is not specifically amended herein, or in any other amendment thereto, said paragraph, term, or provision shall remain in full force and effect as set forth in said agreement.

WHEREFORE, the Executive and a duly authorized Bank officer have signed this Amendment as of the written date.

Executed at Tacoma, Washington this 27th day of February, 2015.

COLUMBIA STATE BANK

By: /s/ MELANIE J. DRESSEL
Authorized Executive
Title: President and Chief Executive Officer

Date: February 27, 2015

/s/ HADLEY S. ROBBINS February 26, 2015
Executive- Signature and Date

HADLEY S. ROBBINS
Print Name

COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
(By and Between Columbia State Bank and Hadley S. Robbins)

ARTICLE I

PURPOSE AND EFFECTIVE DATE

The purpose of this Supplemental Executive Retirement Plan (hereinafter the "Plan") is to provide supplemental retirement benefits for certain key employees of **COLUMBIA STATE BANK** (hereinafter "Bank" or "Employer"), a bank organized and existing under the laws of the state of Washington. It is intended that the Plan will aid in retaining and attracting individuals of exceptional ability by providing them with these benefits. This Columbia State Bank Supplemental Executive Retirement Plan Agreement (hereinafter "Columbia SERP Agreement") is made and entered into effective as of February 27, 2015, by and between Columbia State Bank (hereinafter "Bank" or "Employer") and Hadley S. Robbins (hereinafter "Executive" or "Participant").

WHEREFORE, the Bank and Executive hereby agree to the following;

ARTICLE II

DEFINITIONS

For the purposes of this Agreement, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Furthermore, in the event of any ambiguity or in the event any clarification is required, the below terms shall be interpreted in a manner consistent with Code Section 409A.

2.1 Actuarial Equivalent . The term "Actuarial Equivalent" means equivalence in value between two (2) or more forms and/or times of payment based on a determination by an actuary chosen by the Committee, utilizing the "applicable interest rate" specified by Internal Revenue Code Section 417(e)(3)(C) as of the date of Executive's Separation of Service or Disability, and the applicable mortality table specified in Code Section 417(e)(3)(B).

2.2 Administrator. The Bank shall be the "Administrator" and, solely for the purposes of ERISA (as defined below), the "fiduciary" of this Agreement where a fiduciary is required by ERISA.

2.3 Applicable Percentage. The term "Applicable Percentage" is the percentage of the Executive Benefit to which Executive may be entitled based on (a) the date on which the Executive Separates From Service or Terminates Employment with the Bank or (b) the circumstances described herein. Additionally, in the event Executive Separates From Service Voluntarily prior to attaining the Normal Retirement Age, the Applicable Percentage shown in the below chart shall be deemed reduced by ten percent (10%) in order to be consistent with the

reduction in Years of Service credited under Paragraph 2.30. Subject to the forgoing, the Applicable Percentage shall be as follows.

DATE OF SEPARATION FROM SERVICE	APPLICABLE PERCENTAGE
March 1, 2014 through February 28, 2015	35%
March 1, 2015 through February 29, 2016	40%
March 1, 2016 through February 28, 2017	45%
March 1, 2017 through February 28, 2018	50%
March 1, 2018 through February 28, 2019	55%
March 1, 2019 through February 29, 2020	60%
March 1, 2020 through February 28, 2021	65%
March 1, 2021 through February 28, 2022	70%
March 1, 2022 through February 28, 2023	75%
March 1, 2023 through February 29, 2024	80%
March 1, 2024 through February 28, 2025	85%
March 1, 2025 through February 28, 2026	90%
March 1, 2026 through February 28, 2027	95%
March 1, 2027 and thereafter	100%

2.4 Base Salary. "Base Salary" shall mean the regular cash compensation actually paid to Executive for services rendered or labor performed by Executive during a given calendar year, excluding bonuses, commissions, overtime, incentive payments, non-monetary awards. This amount shall include amounts Executive could have received in cash in lieu of (i) contributions made on Executive's behalf to a qualified plan maintained by the Bank or to any cafeteria plan under Section 125 of the Code maintained by Employer and (ii) deferrals of compensation made at the Executive's election pursuant to a plan or arrangement of the Employer.

2.5 Board. "Board" means the Board of Directors of Columbia State Bank.

2.6 Change in Control. For the purpose of this Agreement, a Change in Control shall be defined in a manner consistent with IRC 409A. Currently IRC provides a definition consistent with the following (and for the purposes of this provision, the term "corporation" shall mean Columbia State Bank):

- A. Change in the Ownership of a Corporation. A change in the ownership of a corporation occurs on the date that any one person or persons acting as a group (as defined in IRC 409A), acquires ownership of stock of the corporation that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of such corporation. The acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the corporation.
- B. Change in the Effective Control of a Corporation. A change in the effective control of the corporation shall be deemed to occur on either of the following dates:
 - (i) The date any one person, or persons acting as a group acquires (or has acquired during the twelve (12) month period ending on the date of the most

recent acquisition by such person or group) ownership of stock of the corporation possessing thirty percent (30%) or more of the total voting power of the stock of such corporation; or

(ii) The date a majority of members of the corporation's board of directors is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the corporation's board of directors before the date of the appointment or election.

- C. Change in the Ownership of a Substantial Portion of a Corporation's Assets. A change in the ownership of a substantial portion of a corporation's assets shall be deemed to occur on the date that any one person or group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the corporation that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the corporation immediately before such acquisition or acquisitions. No Change in Control shall result if the assets are transferred to certain entities controlled directly or indirectly by the shareholders of the transferring corporation.

In addition, to constitute a change in control event with respect to the Executive, the change in control event must relate to (i) the corporation for whom Executive is performing services at the time of the Change in Control; (ii) The corporation that is liable for the payment of the amounts described herein (or all corporations liable for the payment if more than one corporation is liable) but only if either the deferred compensation is attributable to the performance of service by the Executive for such corporation(s) or there is a bona fide business purpose for such corporation(s) to be liable for such payment and, in either case, no significant purpose of making such corporation(s) liable for such payment is the avoidance of Federal income tax; or (iii) a corporation that is a majority shareholder of a corporation identified in (i) or (ii) above, or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in (i) or (ii) above.

2.7 The Code. The "Code" shall mean the Internal Revenue Code of 1986, as amended.

2.8 Committee. The term "Committee" means the Compensation Committee of the Board of Directors of Columbia State Bank.

2.9 Competitive Activity. For the purposes of this Agreement, "Competitive Activity" is defined as acting directly or indirectly as an employee, agent, stockholder (other than passive holdings of less than two percent (2%) of the outstanding shares of a publicly-traded company), member, officer, director, co-partner, advisor, or in any other individual or representative capacity, on behalf of any "Conflicting Organization."

2.10 Conflicting Organization. For purposes of this Agreement, "Conflicting Organization" is defined as any person, entity, or organization engaged (or about to become engaged) in a business similar to, or that competes with, the business of Employer, including without limitation

any bank or financial institution (including without limitation any trust company, finance company, or leasing company).

2.11 Disability/Disabled. For the purposes of this Agreement, Executive will be considered Disabled if it is determined (in a manner consistent with IRC 409A) that Executive is Disabled within the meaning of IRC 409A. Currently, IRC 409 provides the following definition of Disability:

- A. The Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or
- B. The Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Employee's employer.

In the event a disability policy has been purchased by Employer for Executive, then the individual or entity responsible for determining such disability thereunder shall determine Executive's Disability under this Agreement (using the forgoing Disability definition). In the event no such disability policy exists, then the Plan Administrator shall make a good faith determination of Disability in a manner consistent with that required under IRC 409A.

2.12 Early Commencement Reduction Factor. The term "Early Commencement Reduction Factor" is the amount by which an Executive Benefit shall be reduced based on the benefit being paid prior to Executive's attainment of the Normal Retirement Age. The amount of the Early Commencement Reduction Factor shall be determined as follows: for each year (or partial year) that an Executive's benefit hereunder is paid prior to his attainment of the Normal Retirement Age, then the benefit amount shall be reduced, on a pro rata basis, by a factor of five percent (5%). Thus, if an executive with a Normal Retirement Age of sixty-five (65) begins receiving payments at age sixty-two and one half (62 ½), the amount of the annual benefit shall be reduced by 12.5% ($65 - 62 \frac{1}{2} = 2.5$; $2.5 \times 5\% = 12.5\%$).

2.13 Early Retirement Age. The "Early Retirement Age" shall be age fifty-five (55).

2.14 Effective Date. The term "Effective Date" shall mean the date first written above.

2.15 Employer or Bank. The term "Employer" or "Bank" shall mean Columbia State Bank, any subsidiaries or affiliates thereof, or any successors thereto.

2.16 Employer's Market Area . For the purposes of this Columbia SERP Agreement, "Employer's Market Area" is defined as including the following locations, either during Executive's employment or at the time of Executive's Separation From Service or Disability:

- A. Any counties in the States of Washington, Oregon and Idaho in which Employer maintains a branch or other office, and all counties bordering on any such county, or

- B. Any counties in other States in which Employer maintains a branch or other office at the time of Executive's Separation From Service or Disability, and all counties bordering on any such county, or
- C. Any other county in which Employer has bona fide documented plans to establish a branch or office, as demonstrated by minutes of board of director meetings, regulatory correspondence, or other written communications with third parties (including legal or financial advisers) with respect to such geographic expansion, and of which Executive is aware due to his employment with Employer.

Executive acknowledges that Employer currently has operations in various counties within the states of Washington, Oregon or Idaho that Employer plans to continue to expand its operations and presence within these states and other states, and that as a member of Employer's senior management, Executive's services are integral to these operations and expansion plans.

2.17 ERISA. The term "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

2.18 Executive Benefit. For the purposes of this Agreement, then term "Executive Benefit" shall refer to the annual amount to which Executive is entitled to receive pursuant to this Agreement. In addition, where the Executive Benefit is defined in terms of a lifetime annuity, Executive shall have the right under IRC 409A to elect an alternate annuity payment method, as specified herein. Amounts actually received by the Executive, however, shall be determined pursuant to Paragraphs 1 through 5 (including sub-paragraphs, as applicable), forfeited, reduced or adjusted to the extent: (a) required under the other provisions of this Agreement; (b) required by reason of the lawful order of any regulatory agency or body having jurisdiction over Employer; or (c) required in order for Employer to comply with any and all applicable state and federal laws, including, but not limited to, income, employment and disability income tax laws (*e.g.*, FICA, FUTA, SDI).

2.19 Involuntary Termination/ Involuntary Separation From Service . The terms "Involuntary Termination" or "Involuntary Separation From Service" shall be defined as it is in IRC 409A, which currently provides that an "Involuntary" Termination shall mean a Separation From Service due to the independent exercise of the unilateral authority of the Employer to terminate the Executive's services, other than due to the Executive's implicit or explicit request, where the Executive was willing and able to continue performing services (and not as the result of a Disability of a Termination For Cause).

2.20 IRC 409A. The term "IRC 409A" shall refer to the final regulations issued by the IRS and the Treasury Department under Section 409A of the Code, and shall be deemed to include all related guidance issued.

2.21 Normal Retirement / Normal Retirement Age. The term "Normal Retirement" shall mean the Executive's Separation From Service on or after attaining the Normal Retirement Age of sixty-five (65) and for reasons other than a Termination for Cause, because of a Disability, or pursuant to the provisions of Paragraph 5.4.

2.22 Participant/Executive. For the purpose of this Agreement, the terms "Executive" and "Participant" shall be interchangeable.

2.23 Remain Employed. For the purpose of this Agreement, the term “Remain(s) Employed” shall mean that Executive has not experienced a Separation From Service.

2.24 Separation From Service/ Termination of Employment. The terms “Separation From Service” (“Separates From Service”) and “Termination of Employment” shall be used interchangeably for the purposes of this Agreement and shall be interpreted in accordance with the provisions of IRC 409A. Currently, IRC 409A provides that whether a termination of employment has occurred is determined based on whether the facts and circumstances indicate that the Bank and the Executive reasonably anticipate that no further services will be performed after a certain date or that the level of bona fide services the employee will perform after such date (whether as an employee or as an independent contractor) will permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed (as an employee or an independent contractor) over the immediately preceding thirty-six (36) month period (or the full period of services to the Employer if the employee has been providing services to the employer less than 36 months). There shall be no Separation From Service while the Executive is on military leave, sick leave or other bona fide leave of absence, as long as such leave does not exceed six (6) months, or if longer, so long as the individual retains a right to re-employment with the service recipient under an applicable statute or by contract.

2.25 Specified Employee. The term “Specified Employee” shall be defined in accordance with IRC 409A, which states that a “Specified Employee” is an employee who, as of the date of the employee’s Separation From Service, is a key employee of an employer of which any stock is publicly traded on an established securities market or otherwise. An employee is a key employee if the employee meets the requirements of section 416(i)(1)(A)(i), (ii), or (iii) (applied in accordance with the regulations thereunder and disregarding section 416(i)(5)) at any time during the twelve (12) month period ending on a specified employee identification date. If Executive is a key employee as of a specified employee identification date, then Executive shall be treated as a key employee for the entire twelve (12) month period beginning on the specified employee effective date.

2.26 Target Benefit Amount. For the purposes of this Agreement, the “Target Benefit Amount” shall be an amount equal to sixty percent (60%) of the average of Executive’s three (3) highest years of Base Salary (as of the date of Separation From Service or Disability). For illustrative purposes only, attached hereto and incorporated by reference herein as “Exhibit A” is an illustration of Executive’s projected salary and potential benefit under this Agreement. This illustration is in no way a guarantee of benefits, salary or benefit amounts, but rather is intended to provide a framework for understanding potential benefits provided hereunder. Furthermore, this illustration in Exhibit A is based on certain assumptions which may or may not be accurate at the time a benefit is due or vests.

2.27 Termination For Cause. The term “Termination For Cause” shall be defined as it is in any current employment agreement between Employer and Executive. In the event no such employment agreement exists, a Termination For Cause shall be defined as a Termination because of any of the following:

- A. Willful misfeasance or gross negligence;

- B. Conduct demonstrably and significantly harmful to Employer or a financial institution subsidiary;
or
- C. Conviction of a felony.

2.28 Termination For Good Reason. A termination shall be deemed to be for Good Reason if after a Change of Control, Executive Separates From Service on or after the occurrence of any of the below events, and such events occur without the Executive's consent:

- A. A material diminution in the Executive's total compensation;
- B. A material diminution in the Executive's authority, duties, or responsibilities;
- C. A material change in the geographic location at which Employee must perform services (within the meaning of Treasury Regulations Section 1.409A-1(n)(2)(ii)(A)(5)), provided that in no event shall a change in geographic location of less than forty-five (45) miles be considered a material change in geographic location for purposes of this Agreement.

In the event of any of the forgoing circumstances, Executive shall provide notice to Employer of the existence of the conditions described above within a period not to exceed ninety (90) days of the initial existence of said condition, upon the notice of which Employer must be provided a period of at least thirty (30) days during which it may remedy the condition. If the condition is not remedied within those thirty (30) days, and Executive Voluntarily Terminates his employment within the two (2) year period following the initial occurrence of one or more of these conditions, then such Separation From Service shall be deemed to have been "For Good Reason".

2.29 Voluntary Termination. The term "Voluntary Termination" shall mean a Separation From Service elected by the Executive and not as a result of a Disability or For Good Reason.

2.30 Years of Service. The term "Years of Service" shall mean the twelve (12) consecutive month period beginning on Executive's date of hire and any twelve (12) month anniversary thereof, during the entirety of which time Executive is an employee of the Company and has not experienced a Separation From Service. Service with a subsidiary or other entity controlled by the Company before the time such entity became a subsidiary or under such control shall not be considered credited "Service" unless the Plan Administrator specifically agrees to credit such service, which has been agreed to by the parties to this Columbia SERP Agreement such that Executive's first (1st) Year of Service shall be considered to have commenced on March 1, 2007; however, in the event Executive Separates From Service Voluntarily prior to attaining the Normal Retirement Age, then Executive's first (1st) Year of Service will be deemed to have commenced on March 1, 2009.

ARTICLE III

SCOPE, PURPOSE AND EFFECT

3.1 Not a Contract of Employment. Although this Agreement is intended to provide Executive with an additional incentive to remain in the employ of Employer, this Agreement shall not be deemed to constitute a contract of employment between Executive and Employer, nor shall any provision of this Agreement restrict or expand the right of Employer to terminate Executive's employment. This Agreement shall have no impact or effect upon any separate written employment agreement which Executive may have with Employer, it being the parties' intention and agreement that unless this Agreement is specifically referenced in said employment agreement (or any modification thereto), this Agreement (and Employer's obligations hereunder) shall stand separate and apart and shall have no effect on or be affected by, the terms and provisions of said employment agreement.

3.2 Fringe Benefit. The benefits provided by this Agreement are granted by the Employer as a fringe benefit to Executive and are not a part of any salary reduction plan or any arrangement deferring a bonus or a salary increase. Executive has no option to take any current payments or bonus in lieu of the benefits provided by this Agreement.

3.3 Prohibited Payments. Notwithstanding anything in this Agreement to the contrary, if any payment made under this Agreement is a "golden parachute payment" as defined in Section 28(k) of the Federal Deposit Insurance Act (12 U.S.C. section 1828(k) and Part 359 of the Rules and Regulations of the Federal Deposit Insurance Corporation (collectively, the "FDIC Rules") or is otherwise prohibited, restricted or subject to the prior approval of a Bank Regulator, no payment shall be made hereunder without complying with said FDIC Rules.

ARTICLE IV

PAYMENT RESTRICTIONS AND LIMITATIONS

4.1 Delay in Payments for Specified Employee in the Event of a Separation From Service and Compliance With IRC 409A. In the event Executive is a Specified Employee as of the date of a Separation From Service, then a payment conditioned upon a Separation From Service may not be made before the date that is six (6) months after the date of Separation From Service (or, if earlier than the end of the six-month period, the date of death of the Specified Employee).

If payments to which Executive would otherwise be entitled during the first (1st) six (6) months following a Separation From Service are subject to this six (6) month delay in payment, then such payments shall be accumulated and paid on the first (1st) day of the seventh (7th) month following the date of Separation From Service. Payments will then continue thereafter as called for pursuant to the terms of this Agreement.

Notwithstanding any provision existing in this Agreement or any amendment thereto, it is the intent of the Employer and the Executive that any payment or benefit provided pursuant to this Agreement shall be made and paid in a manner, at a time and in a form which complies with the applicable requirements of IRC 409A in order to avoid any unfavorable tax consequences resulting from any such failure to comply.

4.2 Modifying Form of Benefit Payment/Single Life Annuity vs. Joint Life. Subject to the requirement that the methodology for calculation of “Actuarial Equivalence” be consistent with IRC 409A, when the Executive Benefit herein provides for payment as a single life annuity, then, in the alternative, Executive may elect one (1) of two (2) alternative annuity payout methods as presented in “Exhibit B”, the Distribution Election Form. These optional methods consist of joint and survivor annuities with an Actuarial Equivalent value equal to the single life Executive Benefit, with payments continued to the survivor in varying amounts. “Exhibit C”, attached hereto, provides a hypothetical example of how the benefit payments might differ between a single life annuity and a joint life annuity. The benefit payment commencement date and schedule shall otherwise remain unchanged. Any election to use an alternate annuity payment method must be made prior to the payment start date and, other than as addressed herein below, Executive shall not have the ability to modify the form of annuity elected once payments have begun. In the event, however, that a joint and survivor annuity option is elected and the Executive’s spouse pre-deceases Executive, then for all payments made to Executive after the Executive’s spouse’s death, the amounts payable under this Agreement shall increase and be equal to the payment amounts Executive would have received under a single life annuity option. Executive shall not be able then to designate a new spouse and reinstate joint life annuity payments.

4.3 Withholding of Payroll Taxes. Employer shall withhold from payments made hereunder any taxes required to be withheld from Executive’s wage under federal, state or local law.

ARTICLE V

PAYMENT OF EXECUTIVE BENEFITS

Executive Benefit payments due under this Columbia SERP Agreement shall be paid pursuant to only one (1) provision herein below. The date and circumstances of Executive’s Separation From Service shall determine which paragraph shall be used to calculate the Executive Benefit payment due.

In addition, all benefit amounts due under Article 5 of this Columbia SERP shall be subject to the benefit forfeiture and reduction formula discussed in this Article 5.

Because all benefit amounts due under both this Columbia SERP Agreement and the West Coast Bank Supplemental Executive Retirement Plan, effective April 1, 2007 and as amended thereafter (hereafter “West Coast Bank SERP”, attached hereto and incorporated by reference herein as “Exhibit D”) will be determinable as of Executive’s Separation From Service or Disability date, the following benefit determination/reduction formula shall be used to determine amounts due hereunder:

Any benefit payments due under this Columbia SERP Agreement shall be forfeited or reduced to the extent such amounts have been or will be paid out pursuant to the West Coast Bank SERP. Because Executive has elected a lump sum payment under the West Coast Bank SERP, the full amount due and owing under such West Coast Bank SERP Agreement will be determined at the time of any Separation From Service

(or Disability) which triggers benefits under this Columbia SERP Agreement, and thus amounts to which Executive is actually entitled will be easily ascertainable. By way of example ONLY, assume the following:

Executive Remains Employed until age 65, at which time he Separates From Service and becomes entitled to receive a lump sum payment under the West Coast Bank SERP in the amount of \$1,163,700. Similarly, assume that under this Columbia SERP Agreement, Executive is entitled to a lifetime annual Executive Benefit equal to sixty percent (60%) of the average of Executive's three highest years of Base Salary as well as the 2% annual increase (**resulting in payments of \$171,541 the first year, \$174,972 in the second year, \$178,472 in the third year, etc**). Payments under this Columbia SERP Agreement would be forfeited/reduced as follows (amounts are rounded to the nearest dollar):

\$1,163,700	(lump sum paid under West Coast Bank SERP)
- \$171,541	(year 1 of pmt. under Columbia SERP - forfeited; 12 months x \$14,295)
\$992,159	
- \$174,972	(year 2 of pmt. under Columbia SERP - forfeited; 12 months x \$14,581)
\$817,187	
- \$178,472	(year 3 of pmt. under Columbia SERP - forfeited; 12 months x \$14,873)
\$638,715	
- \$182,041	(year 4 of pmt. under Columbia SERP - forfeited; 12 months x \$15,170)
\$456,674	
- \$185,682	(year 5 of pmt. under Columbia SERP - forfeited; 12 months x \$15,474)
\$270,992	
- \$189,396	(year 6 of pmt. under Columbia SERP - forfeited; 12 months x \$15,783)
\$81,596	
\$80,495	(monthly payments in year 7 under this Columbia SERP would be \$16,099, and
\$1,101	thus the first 5 payments in year 7 would be forfeited (\$16,099 x 5) = \$80,495].

The 6th payment in year 7 would be \$14,998 (\$16,099 – \$1,101), and monthly payments for year the remainder of the year would be in the amount of \$16,099. Payments in year 8 would continue as scheduled, including the 2% annual benefit increase.

In addition, the same benefit forfeiture/reduction formula specified in this Article shall apply to the payment of all Executive Benefits due under this Columbia SERP Agreement, regardless of whether Executive has elected a single life annuity, a joint life survivor annuity, or whether Executive is entitled to a lump sum benefit.

Subject to the forgoing, the Executive Benefits due hereunder shall be determined as follows:

5.1 Executive Benefit Payments in the Event of Normal Retirement. Subject to the provisions of Article VI below, the Executive Benefit under this provision shall be determined as follows:

A. Amount of Benefit. In the event Executive Separates From Service on or after attaining the Normal Retirement Age (and for reasons other than a Termination for Cause, because of a Disability, or pursuant to the provisions of paragraph 5.4 dealing with a Change in Control), then the Executive Benefit shall be an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) of the Target Benefit

Amount. In addition to the forgoing, the annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first (1st) anniversary of the first (1st) Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit.

- B. Payment Method.** This annual Executive Benefit shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first (1st) day of the first (1st) month following Executive's Separation From Service and continuing until the death of the Executive. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.

5.2 Executive Benefit Payments on or After Attaining the Early Retirement Age but Before Attaining the Normal Retirement Age. Subject to the provisions of Article VI below, in the event Executive Separates From Service on or after attaining the Early Retirement Age, but before attaining the Normal Retirement Age, then the Executive Benefit to which Executive is entitled shall be determined as follows:

A. Amount of Benefit.

- (1) Involuntary Termination or Voluntary Termination With Ten (10) Years of Service. In the event of an Involuntary Termination or a Voluntary Termination by Executive after completing ten (10) Years of Service, either of which occur on or after attaining the Early Retirement Age but before attaining the Normal Retirement Age, then Executive shall be entitled to receive an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount; however this amount shall be reduced by the Early Commencement Reduction Factor. In addition to the forgoing, the annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first (1st) anniversary of the first (1st) Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit.
- (2) Voluntary Termination Without Ten Years Service. In the event Executive has not completed ten (10) Years of Service, then upon a Voluntary Separation From Service on or after attaining the Early Retirement Age but before attaining the Normal Retirement Age, Executive shall forfeit all rights and benefits he may have had under the terms of this Columbia SERP Agreement.

- B. Payment Method.** Any Executive Benefit due hereunder shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first (1st) day of the first (1st) month following Executive's Separation From Service and continuing until the death of the Executive. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.

5.3 Executive Benefit Payments in the Event of Involuntary or Voluntary Termination Prior to Attaining the Early Retirement Age. Subject to the provisions of Article VI below, in the event Executive Separates From Service prior to attaining the Early Retirement Age, then the Executive Benefit to which Executive is entitled shall be determined as follows:

A. Benefit Amount.

- (1) Involuntary Termination. In the event Executive is Involuntarily Terminated prior to attaining the Early Retirement Age, then Executive shall be entitled to receive an Executive Benefit equal to the Actuarial Equivalent of the following: a lifetime benefit with an annual amount equal to the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount, assuming a payment commencement date of the first (1st) day of the first (1st) month immediately following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) per year increase in the Executive Benefit amount.
- (2) Voluntary Termination. In the event Executive Voluntarily Terminates employment with the Bank prior to attaining the Early Retirement Age, then the Executive Benefit shall be determined as follows:
 - (a) If Executive has attained an Applicable Percentage of one hundred percent (100%), then he shall be entitled to receive an Executive Benefit equal to the Actuarial Equivalent of the following: a lifetime benefit with an annual amount equal to the Applicable Percentage of the of the Target Benefit Amount, assuming a payment commencement date of the first (1st) day of the first (1st) month immediately following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) per year increase in the Executive Benefit amount.
 - (b) If Executive has not attained an Applicable Percentage of one hundred percent (100%), he shall forfeit any and all rights and benefits he may have under the terms of this Columbia SERP Agreement and shall have no right to be paid any of the amounts which would otherwise be due or paid to the Executive by the Bank pursuant to the terms of this Columbia SERP Agreement.

B. Payment Method. This Executive Benefit shall be paid in one (1) lump sum one (1) year following Separation From Service.

5.4 Termination Following a Change in Control. Other than amounts due as a result of Disability, then following a Change in Control, this Paragraph 5.4 shall determine the Executive Benefit due in the event of a Separation From Service at any time following such Change in Control.

A. Benefit Amount.

- (1) Involuntary Termination or Termination for Good Reason. In the event Executive is Involuntarily Terminated or Terminates for Good Reason following a Change in Control and prior to attaining the Normal Retirement Age, then the Applicable Percentage shall be deemed to be that percentage Executive would have received had he Remained Employed until attaining the Normal Retirement Age. In the event Executive has already attained the Normal Retirement Age at the time of an Involuntary Termination or a Termination for Good Reason following a Change in Control, then Executive's Applicable Percentage shall be determined pursuant to the provisions of Paragraph 2.3. Executive shall then be entitled to receive an annual amount calculated as follows: the Applicable Percentage of the Target Benefit Amount*. Executive shall NOT be subject to the non-compete provisions of Article VI below.

(*As stated in Paragraph 5.4B, whether paid as an annuity or lump sum, this Executive Benefit shall reflect a two percent (2%) annual benefit increase, and when paid as an annuity prior to Normal Retirement, shall be subject to the Early Commencement Reduction Factor).

- (2) Voluntary Termination. In the event Executive Voluntarily Separates From Service following a Change in Control, then Executive shall be entitled to receive one of the following amounts, depending on the circumstances specified below:

(a) If Executive has attained the Early Retirement Age and has completed ten (10) Years of Service, or if he has attained an Applicable Percentage of one hundred percent (100%), or if he has attained the Normal Retirement Age at the time of such Separation From Service, then he shall receive an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount*. Executive shall be subject to the provisions of Article VI below. (*As stated in Paragraph 5.4B, whether paid as an annuity or lump sum, this Executive Benefit shall reflect a two percent (2%) annual benefit increase, and when paid as an annuity prior to Normal Retirement, shall be subject to the Early Commencement Reduction Factor).

b. In the event Executive Voluntarily Separates From Service following a Change in Control but does not satisfy the requirements of Paragraph 5.4A(2)a above, then he shall forfeit all rights and benefits he may have had under the terms of this Columbia SERP Agreement.

B. Benefit Payments. If Executive is entitled to receive a benefit pursuant to the terms of this Paragraph 5.4A above, then the benefit shall be payable as follows:

- (1) In the event Executive has attained at least the Early Retirement Age at the time of Separation From Service, then Executive Benefit payments

shall commence on the first (1st) day of the first (1st) month following the Executive's Separation From Service and shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first (1st) day of the first (1st) month following Executive's Separation From Service and continuing until the death of Executive. The forgoing shall be subject to the Early Commencement Reduction Factor for payments commencing before the Normal Retirement Age. In addition to the forgoing, the annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first (1st) anniversary of the first (1st) Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.

- (2) In the event Executive has not yet attained the Early Retirement Age as of the date of Separation From Service, then the Executive Benefit defined above in Paragraph 5.4A shall be paid out as an Actuarial Equivalent value, assuming a lifetime benefit with a payment commencement date of the first (1st) day of the first (1st) month following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) annual increase in Executive Benefit amounts. This Actuarial Equivalent amount shall be paid in one (1) lump sum one (1) year following Separation From Service.

5.5 **Disability.**

- A. **Benefit Amount.** Subject to the provisions of Article VI below, in the event that Executive becomes Disabled prior to Separating From Service, then upon such Disability, Executive shall be entitled to receive one (1) of the following amounts, depending on circumstances:

- (1) In the event Executive becomes Disabled prior to attaining the Normal Retirement Age, then Executive shall be entitled to be paid a lump sum amount equal to the Actuarial Equivalent value of the following: a lifetime benefit with annual payments equal to the Applicable Percentage that Executive would have achieved had he remained employed until the Normal Retirement Age, multiplied by the Target Benefit Amount, and assuming a payment commencement date of the Normal Retirement Age, and factoring in a two percent (2%) annual increase in Executive Benefit amounts. In addition, for the purposes of this provision, the Target Benefit Amount shall be determined based on the following assumptions: it shall be assumed that for each year following Executive becoming Disabled, Executive's Base Salary will increase annually at a rate of three percent (3%) each year on anniversary of Executive's date of hire until such time as Executive attains the Normal Retirement Age.

- (2) In the event Executive becomes Disabled after attaining the Normal Retirement Age, then the Executive shall be entitled to be paid a lump sum amount equal to the Actuarial Equivalent value of the following: a lifetime benefit with annual payments equal to the Applicable Percentage (as of the date of Separation from Service) of the Target Benefit Amount, assuming a payment commencement date of the date of Disability, and factoring in a two percent (2%) annual increase in Executive Benefit amounts.

B. Benefit Payments. All amounts due as a result of Disability shall be paid in one (1) lump sum on the first (1st) day of the first (1st) month following Disability.

5.6 Termination For Cause. In the event Executive is Terminated For Cause at any time after the effective date of this Columbia SERP Agreement, then he shall forfeit any and all rights and benefits he may have under the terms of this Columbia SERP Agreement and shall have no right to be paid any of the amounts which would otherwise be due or paid to the Executive by the Bank pursuant to the terms of this Columbia SERP Agreement.

5.7 Death.

A. Benefit Amount and Payment.

- (1) Death prior to Separation From Service. In the event Executive dies prior to Separating From Service, then there are no death benefits payable under this Columbia SERP Agreement. Any such benefits would be payable pursuant to a Split Dollar Life Insurance Agreement, if any exists.
- (2) Death after Separation From Service and after becoming entitled to receive payment, but prior to receiving any or all such payments. In the event Executive dies after Separating From Service and after becoming entitled to the benefits specified under this Columbia SERP Agreement, then payments shall only be made following Executive's death if Executive has elected a joint and survivor payment option.

ARTICLE VI

NON-COMPETITION AND NON-SOLICITATION/NON-INTERFERENCE; FORFEITURE IN THE EVENT OF BREACH; MANDATORY ARBITRATION

6.1 Non-Competition. Notwithstanding any other provision of this Columbia SERP Agreement, the Executive Benefit due pursuant to the provisions of Paragraphs 5.1, 5.2, 5.3, 5.4A(2), and 5.5 shall be forfeited and no Executive Benefit shall be due Executive hereunder if Executive enters into any Competitive Activity on behalf of a Conflicting Organization in Employer's Market Area during Executive's employment or within the two (2) year period following the date of Executive's Separation From Service.

6.2 Non-Solicitation . The restrictions in Paragraph 6.1 also include without limitation, for a period of two (2) years following the date of Executive's Separation from Service, Executive shall not solicit, directly or indirectly, on behalf of a Conflicting Organization in Employer's Market Area, any customer, client, or employee of Employer. Specifically, Executive may not, directly or indirectly:

- A. Solicit, or attempt to solicit, induce, invite, encourage, recommend, request, or participate in recruiting any client or customer of Employer to terminate or change the client or customer's relationship with Employer, including without limitation, transferring the client or customer's business to a Conflicting Organization; or
- B. Solicit or attempt to solicit, induce, invite, encourage, recommend, request, or participate in recruiting any employee, current or future, of Employer, to leave employment with Employer in order to participate, as an employee or otherwise, in any manner in Competitive Activity for a Conflicting Organization, or to hire or cause to be hired or assist in the hiring of Employer's current or future employees by a Conflicting Organization, or provide information to any third party to suggest, encourage, aid or facilitate such solicitation, inducement, recruitment or hiring.

Solicitation prohibited under this Paragraph 6.2 includes solicitation by any means, including, without limitation, meetings, phone calls, letters or other mailings, and electronic and internet communications of any kind, or any other type of conduct intended or reasonably calculated to induce or urge a client, customer, or employee to discontinue, in whole or in part, its employment or business relationship with Employer.

6.3 Injunctive Relief. Executive acknowledges and agrees that Employer has a legitimate business interest in enforcement of the restrictions in this Article VI, including without limitation, Employer's need to protect the goodwill of Employer's business, Employer's client relationships, the stability of Employer's workforce, and other such legitimate business interests. In the event that Executive breaches or threatens to breach, or Employer reasonably believes that Executive is about to breach the obligations of this Article, Executive acknowledges and agrees that Employer shall be entitled to obtain injunctive relief in state or federal court, in addition to, and not in lieu of, any other legal or equitable rights and remedies available to Employer. Executive acknowledges and agrees that Employer will suffer immediate and irreparable harm from such breach or threatened breach and that money damages will not be adequate to compensate Employer or to protect and preserve the status quo.

6.4 Enforceability. If an arbitrator or a court of competent jurisdiction shall find any provision of this Article VI illegal or unenforceable, the arbitrator or court may reform such provision to the extent necessary to render the otherwise unenforceable provision, and the rest of the Columbia SERP Agreement, valid and enforceable, and so as to permit maximum restrictions that are legal and enforceable to be applied to the Executive's ability to compete with Employer. If an arbitrator or court declines to amend any such provision as provided herein, the invalidity or unenforceability of any such provision shall not affect the validity or enforceability of the remaining provisions, which shall be enforced as if the offending provision had not been included in this Columbia SERP Agreement.

6.5 Excuse/Reimbursement Right. To the extent that Executive is paid an Executive Benefit under this Columbia SERP Agreement and breaches this provision, Employer shall not only be excused from paying any future benefit, but Employer shall have the right to seek reimbursement for all amounts previously paid out under this Columbia SERP Agreement, to the extent allowed by law.

6.6 Arbitration. All controversies and claims arising under or relating to this Article VI, including the scope of this mandatory arbitration provision, shall be submitted to binding arbitration before a single arbitrator to be selected by the parties. Notice of the demand for arbitration shall be in writing and served on the other party to this Plan. Within ten (10) days after notice by one party to the other of its demand for arbitration, the parties shall confer as to the selection of an arbitrator. The arbitration shall be subject to the rules of procedure established by the Employment Arbitration Rules of the American Arbitration Association, and shall be conducted in Tacoma, Washington, unless otherwise agreed to by the parties. The arbitrator shall apply Washington law, without regard to its choice of law principles. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute, or other matter in question would be barred by the applicable statute of limitations. Any award, order or judgment pursuant to the arbitration shall be final and binding upon the parties and their successors and assigns, and may be entered and enforced in any court of competent jurisdiction. The requirements of this Paragraph do not prohibit the filing of a court action by either party for temporary equitable relief in aid of arbitration, and as provided in Paragraphs 6.3 and 6.4 above. Each party irrevocably submits to the exclusive jurisdiction and venue of the federal and state courts of Washington in any legal suit, action or proceeding for purposes of (a) enforcing this arbitration provision, (b) entering and enforcing any award, order, or judgment pursuant to this arbitration provision, and (c) any legal suit, action or proceeding to obtain temporary equitable relief as set forth above.

ARTICLE VII

ADMINISTRATION

7.1 Committee and Duties. This Plan shall be administered by an Administrative Committee which shall consist of not less than three (3) persons appointed by the Board of Directors. Any member of the Committee may be removed at any time by the Board. Any member may resign by delivering his written resignation to the Board. Upon the existence of any vacancy, the Board may appoint a successor. The Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan. A majority of the members of the Committee shall constitute a quorum for the transaction of business. A majority vote of the Committee members constituting a quorum shall control any decision.

7.2 Agents. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to Employer.

7.3 Binding Effect of Decisions. The decision or action of the Committee in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

7.4 Indemnity of Committee. Employer shall indemnify and hold harmless the members of the Committee against any and all claims, loss, damage, expense, or liability arising from any action or failure to act with respect to this Plan, except in the case of gross negligence or willful misconduct.

ARTICLE VIII

CLAIMS PROCEDURE

8.1 Claim. In the event a dispute arises over the benefits under this executive Plan and benefits are not paid to the Executive (or to the Executive's beneficiary[ies], if applicable) and such claimants feel they are entitled to receive such benefits, then a written claim must be made to the Named Fiduciary and Plan Administrator named above in accordance with the following procedures:

- A. **Written Claim.** The claimant may file a written request for such benefit to the Plan Administrator.
- B. **Claim Decision.** Upon receipt of such claim, the Plan Administrator shall respond to such claimant within ninety (90) days after receiving the claim. If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the response period by an additional ninety (90) days for reasonable cause by notifying the claimant in writing, prior to the end of the initial ninety (90) day period, that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Plan Administrator expects to render its decision.

If the claim is denied in whole or in part, the Plan Administrator shall notify the claimant in writing of such denial. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (i) The specific reasons for the denial;
 - (ii) The specific reference to pertinent provisions of the Columbia SERP Agreement on which the denial is based;
 - (iii) A description of any additional information or material necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary;
 - (iv) Appropriate information as to the steps to be taken if the claimant wishes to submit the claim for review and the time limits applicable to such procedures; and
 - (v) A statement of the claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.
- C. **Request for Review.** Within sixty (60) days after receiving notice from the Plan Administrator that a claim has been denied (in part or all of the claim), then claimant (or their duly authorized representative) may file with the Plan Administrator, a written request for a review of the denial of the claim.

The claimant (or his duly authorized representative) shall then have the opportunity to submit written comments, documents, records and other information relating to the claim. The Plan Administrator shall also provide the claimant, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits.

- D. Decision on Review. The Plan Administrator shall respond in writing to such claimant within sixty (60) days after receiving the request for review. If the Plan Administrator determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the claimant prior to the termination of the initial sixty (60) day period. In no event shall such extension exceed a period of sixty (60) days from the end of the initial period. The notice of extension must set forth the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render its decision.

In considering the review, the Plan Administrator shall take into account all materials and information the claimant submits relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

The Plan Administrator shall notify the claimant in writing of its decision on review. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (i) The specific reasons for the denial;
- (ii) A reference to the specific provisions of the Columbia SERP Agreement on which the denial is based;
- (iii) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits; and
- (iv) A statement of the claimant's right to bring a civil action under ERISA Section 502(a).

- E. Special Timing Rules for Disability Claims. In the event a claim above is a claim for disability benefits, then the applicable time periods for notifying claimants regarding benefits determinations shall be reduced as required by 29 CFR 2560.503-1 (I.e., (a) the ninety (90) day response time with the possibility of a ninety (90) day extension in Section 8.2B shall be shortened to a forty-five (45) day response time with the possibility of a thirty (30) day extension, and (b) the sixty (60) day response time with the possibility of a sixty (60) day extension in shall be shortened to a forty-five (45) day response time with the possibility of a forty-five (45) day extension). In addition, in the event of a disability claim, the Bank shall identify any medical or vocational expert whose advice was obtained by the Plan in connection with the initial benefit determination, without regard to whether the advice was

relied upon. If the review is from an adverse benefit determination that was based in whole or in part on a medical judgment, the Bank shall consult with a health care professional that has appropriate training and experience in the field of medicine involved in the medical judgment and who is neither the individual who was consulted in connection with the adverse benefit determination that is under review nor the subordinate of such individual. Any review of the denial of a claim made on account of disability shall be conducted by a person or persons who neither had any part in the initial benefit determination nor are subordinates of the persons who did.

8.2 Arbitration of Disputes. Other than as addressed in Article VI, all unresolved claims, disputes and other matters in question arising out of or relating to this Plan or the breach or interpretation thereof, (including the scope of this mandatory arbitration provision), other than those matters which are to be determined by Employer in its sole and absolute discretion, shall be resolved by binding arbitration before a single arbitrator to be selected by the parties (unless prohibited by ERISA). Notice of the demand for arbitration shall be in writing and served on the other party to this Plan. Within ten (10) days after notice by one party to the other of its demand for arbitration, the parties shall confer as to the selection of an arbitrator. The arbitration shall be subject to the rules of procedure established by the Employment Arbitration Rules of the American Arbitration Association (“AAA”), and shall be conducted in Tacoma, Washington, unless otherwise agreed to by the parties. The arbitrator shall apply Washington law, without regard to its choice of law principles. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations. Any award, order or judgment pursuant to the arbitration shall be final and binding upon the parties and their successors and assigns, and may be entered and enforced in any court of competent jurisdiction. The requirements of this Paragraph do not prohibit the filing of a court action by either party for temporary equitable relief in aid of arbitration. Each party irrevocably submits to the exclusive jurisdiction and venue of the federal and state courts of Washington in any legal suit, action or proceeding for purposes of (a) enforcing this arbitration provision, (b) entering and enforcing any award, order, or judgment pursuant to this arbitration provision, and (c) any legal suit, action or proceeding to obtain temporary equitable relief as set forth above.

8.3 Attorneys’ Fees. In the event of any arbitration or litigation concerning any controversy, claim or dispute between the parties hereto, arising out of or relating to this Columbia SERP Agreement or the breach hereof, or the interpretation hereof, to the extent permitted by law (a) each party shall pay his own attorneys’ arbitration and legal fees incurred pursuant to this Columbia SERP Agreement; and (b) if Executive prevails, he shall be entitled to recover from the other party reasonable expenses, attorneys' fees and costs incurred in the enforcement or collection of any judgment or award rendered. The term "prevails" applies if the arbitrator(s) or court finds that Executive is entitled to contested money payments from the other, but does not necessarily imply a judgment rendered in favor of Executive.

ARTICLE IX

MISCELLANEOUS

9.1 Unfunded Plan. This Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly compensated employees” within the meaning of Sections 201, 301, and 401 of the Employee Retirement Income Security act of 1974, as amended (“ERISA”), and therefore to be exempt from the provisions of Parts 2, 3, and 4 of Title I ERISA. Accordingly, the Plan shall terminate and no further benefits shall be paid hereunder in the event it is determined by a court of competent jurisdiction or by an opinion of counsel that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA which is not so exempt.

9.2 Status as an Unsecured General Creditor and Rabbi Trust. Notwithstanding anything contained herein to the contrary: (i) the Executive shall have no legal or equitable rights, interests or claims in or to any specific property or assets of Employer as a result of this Columbia SERP Agreement; (ii) none of the Employer’s assets shall be held in or under any trust for the benefit of the Executive or held in any way as security for the fulfillment of the obligations of the Employer under this Columbia SERP Agreement; (iii) all of the Employer’s assets shall be and remain the general unpledged and unrestricted assets of the Employer; (iv) the Employer’s obligation under this Columbia SERP Agreement shall be that of an unfunded and unsecured promise by the Employer to pay money in the future; and (v) the Executive shall be an unsecured general creditor with respect to any benefits which may be payable under the terms of this Columbia SERP Agreement.

Notwithstanding subparagraphs (i) through (v) above, the Employer and the Executive acknowledge and agree that, in the event of a Change in Control, upon request of the Executive, or in the Employer’s discretion if the Executive does not so request and the Employer nonetheless deems it appropriate, the Employer shall establish, not later than the effective date of the Change in Control, a Rabbi Trust or multiple Rabbi Trusts (the “Trust” or “Trusts”) upon such terms and conditions as the Employer, in its sole discretion, deems appropriate and in compliance with applicable provisions of the Code, in order to permit the Employer to make contributions and/or transfer assets to the Trust or Trusts to discharge its obligations pursuant to this Columbia SERP Agreement. The principal of the Trust or Trusts and any earnings thereon shall be held separate and apart from other funds of the Employer to be used exclusively for discharge of the Employer’s obligations pursuant to this Columbia SERP Agreement and shall continue to be subject to the claims of the Employer’s general creditors until paid to the Executive in such manner and at such times as specified in this Columbia SERP Agreement.

9.3 Non-assignability. Neither Executive nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and nontransferable. No part of the amount payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by Executive or any other person, nor be transferable by operation of law in the event of Executive’s or any other person’s bankruptcy or insolvency.

9.4 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between Employer and the Executive, and the Executive (or his beneficiary, if applicable) shall have no rights against Employer except as may

otherwise be specifically provided herein. Moreover, nothing in this Plan shall be deemed to give Executive the right to be retained in the service of Employer or to interfere with the right of Employer to discipline or discharge him at any time.

9.5 Protective Provisions. Executive will cooperate with Employer by furnishing any and all information requested by Employer, in order to facilitate the payment of benefit hereunder, and by taking such physical examinations as Employer may deem necessary and taking such other action as may be requested by Employer.

9.6 Terms. Whenever any words are used herein in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or singular, as the case may be, in all cases where they would so apply.

9.7 Captions. The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

9.8 Governing Law. The provisions of this Plan shall be construed, interpreted, and governed in all respects in accordance with applicable federal law and, to the extent not preempted by such federal law, in accordance with the laws of the State of Washington.

9.9 Binding Effect/Merger or Reorganization. This Columbia SERP Agreement shall be binding upon and inure to the benefit of the Executive and the Bank. Accordingly, the Bank shall not merge or consolidate into or with another corporation, or reorganize or sell substantially all of its assets to another corporation, firm or person, unless and until such succeeding or continuing corporation, firm or person agrees to assume and discharge the obligations of the Bank under this Columbia SERP Agreement. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of Employer, and successors of any such corporation or other business entity.

9.10 Nonwaiver. The failure of either party to enforce at any time or for any period of time any one or more of the terms or conditions of this Columbia SERP Agreement shall not be a waiver of such term(s) or condition(s) or of that party's right thereafter to enforce each and every term and condition of this Columbia SERP Agreement.

9.11 Partial Invalidity/Severability. If any term, provision, covenant, or condition of this Columbia SERP Agreement is determined by an arbitrator or a court, as the case may be, to be invalid, illegal, void, or unenforceable, then such term, provision, covenant, or condition shall be deemed ineffective and unenforceable and shall be deemed separable from the remaining provisions of this Columbia SERP Agreement. Further, such determination shall not render any other term, provision, covenant illegal, void or unenforceable, and the remaining terms, provisions, covenants, and conditions of the Columbia SERP Agreement shall remain in full force and effect notwithstanding such partial invalidity.

9.12 Entire Agreement. Each party to this Columbia SERP Agreement acknowledges that no other representations, inducements, promises, or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not set forth herein, and that no other agreement, statement, or promise not contained in this Columbia SERP Agreement shall be valid or binding on either party. Executive and the Employer understand, acknowledge and agree

that Executive and the Employer have entered into other agreements that contain either change-in-control terms or restrictive covenants, including without limitation a Change in Control Agreement. The parties understand, acknowledge and agree that the terms of this Columbia SERP Agreement are not intended by Executive or the Employer, and shall not be interpreted by any party, court or arbitrator to, supersede, modify, amend, change, negate, cancel or render null or void any other change-in-control terms or restrictive covenants between the parties contained in any such other agreements (or any amendments or restatements thereof).

9.13 Modifications. Any modification of this Columbia SERP Agreement shall be effective only if it is in writing and signed by each party or such party's authorized representative, and only to the extent that it is compliant with all applicable codes and statutes, including but not limited to IRC 409A.

9.14 Notice. Any notice required or permitted of either the Executive or the Bank under this Columbia SERP Agreement shall be deemed to have been duly given, if by personal delivery, upon the date received by the party or its authorized representative; if by facsimile, upon transmission to a telephone number previously provided by the party to whom the facsimile is transmitted as reflected in the records of the party transmitting the facsimile and upon reasonable confirmation of such transmission; and if by mail, on the third day after mailing via U.S. first class mail, registered or certified, postage prepaid and return receipt requested, and addressed to the party at the address given below for the receipt of notices, or such changed address as may be requested in writing by a party.

If to the Bank: Columbia State Bank
1301 A Street
Tacoma, WA 98402
Attention Corporate Secretary/Cathleen Dent

If to the Executive: Hadley Robbins
7090 SW Benham Ct.
Portland, OR 97225

9.15 IRS Section 280G Issues . If all or any portion of the amounts payable to the Executive under this Columbia SERP Agreement, either alone or together with other payments which the Executive has the right to receive from Employer, constitute "excess parachute payments" within the meaning of Section 280G of the Code that are subject to the excise tax imposed by Section 4999 of the Code (or similar tax and/or assessment), Executive shall be responsible for the payment of such excise tax and Employer (and its successor) shall be responsible for any loss of deductibility related thereto; provided, however, that Employer and Executive shall cooperate with each other and use all reasonable efforts to minimize to the fullest extent possible the amount of excise tax imposed by Section 4999 of the Code, but only to the extent that any agreement to minimize the impact of the Section 4999 excise tax shall comply in all respects with all applicable laws, including IRC 409A and regulations thereunder. If, at a later date, it is determined (pursuant to final regulations or published rulings of the Internal Revenue Service, final judgment of a court of competent jurisdiction, or otherwise) that the amount of excise taxes payable by the Executive is greater than the amount initially so determined, then Executive shall pay an amount equal to the sum of such additional excise taxes and any interest, fines and penalties resulting from such underpayment. The determination of the amount of any such excise taxes shall be made by the independent accounting firm employed by Employer immediately prior to the change in control or such other independent

accounting firm or advisor as may be mutually agreeable to Employer and Executive in the exercise of their reasonable good faith judgment.

9.16 Opportunity To Consult With Independent Advisors. The Executive acknowledges that he has been afforded the opportunity to consult with independent advisors of his choosing including, without limitation, accountants or tax advisors and counsel regarding both the benefits granted to him under the terms of this Columbia SERP Agreement and the (i) terms and conditions which may affect the Executive's right to these benefits and (ii) personal tax effects of such benefits including, without limitation, the effects of any federal or state taxes, Section 280G of the Code, and any other taxes, costs, expenses or liabilities whatsoever related to such benefits, which in any of the foregoing instances the Executive acknowledges and agrees shall be the sole responsibility of the Executive notwithstanding any other term or provision of this Columbia SERP Agreement. The Executive further acknowledges and agrees that the Bank shall have no liability whatsoever related to any such personal tax effects or other personal costs, expenses, or liabilities applicable to the Executive and further specifically waives any right for himself or herself, and his or her heirs, beneficiaries, legal representatives, agents, successor and assign to claim or assert liability on the part of the Bank related to the matters described above in this paragraph. The Executive further acknowledges that he has read, understands and consents to all of the terms and conditions of this Columbia SERP Agreement, and that he enters into this Columbia SERP Agreement with a full understanding of its terms and conditions.

EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE HAS RECEIVED AND READ OR HAS HAD THE OPPORTUNITY TO READ THIS COLUMBIA SERP AGREEMENT, INCLUDING WITHOUT LIMITATION THE AGREEMENTS TO ARBITRATION OF DISPUTES UNDER PARAGRAPHS 6.6 AND 8.2. EXECUTIVE ACKNOWLEDGES AND UNDERSTANDS THAT THIS AGREEMENT TO ARBITRATION OF DISPUTES REQUIRES THAT DISPUTES THAT INVOLVE THE MATTERS SUBJECT TO THE AGREEMENT BE SUBMITTED TO MEDIATION OR ARBITRATION PURSUANT TO THE ARBITRATION AGREEMENT RATHER THAN TO A JUDGE AND JURY IN COURT.

COLUMBIA STATE BANK

By: /s/ MELANIE J. DRESSEL

Date: February 27, 2015

Authorized Executive

Title: President and Chief Executive Officer

/s/ HADLEY S. ROBBINS February 26, 2015

HADLEY S. ROBBINS

Executive- Signature and Date

Print Name

EXHIBIT A
TO THE COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR HADLEY S. ROBBINS

The following table is intended ONLY to demonstrate Executive's projected salary at various times and based on the assumptions below. This table does not address actual benefits to be paid based on the varying circumstances of Separation From Service, Change in Control, etc., or based on benefits being paid out prior to attainment of the Early Retirement Age, paid out as actuarial equivalent amounts or reduced by the Early Commencement Reduction Factor. In addition, this table does not address the limiting language contained in the definition of Target Benefit Amount, such that the Target Benefit Amount is defined as the "60% of the average of Executive's three highest years of Base Salary.

EOY Age	EOY	Projected Salary	Target Benefit - 60% of Salary Average	Applicable Percentage (NRA)	Applicable Percentage (ERA)	Benefit at Early Retirement (62-64)	Columbia Bank SERP Benefit	Retirement Benefit Assuming 65		EOY Prepayment Balance (1)
58	2014	\$337,000	\$202,200	35%	25%	\$0	\$0	WCB Plan	CSB Plan	
59	2015	\$347,110	\$205,233	40%	30%	\$0	\$0			
60	2016	\$357,523	\$211,390	45%	35%	\$0	\$0			
61	2017	\$368,249	\$217,732	50%	40%	\$0	\$0			
62	2018	\$379,296	\$224,264	55%	45%	\$85,781	\$0			
63	2019	\$390,675	\$230,992	60%	50%	\$103,946	\$0			
64	2020	\$402,396	\$237,921	65%	55%	\$124,314	\$0			
65	2021	\$414,467	\$245,059	70%			\$171,541	\$1,163,700	\$0	\$992,158
66	2022	\$426,902	\$252,411	75%			\$174,972			
67	2023	\$439,709	\$259,983	80%			\$178,472			
68	2024	\$452,900	\$267,783	85%			\$182,041			
69	2025	\$466,487	\$275,816	90%			\$185,682			
70	2026	\$480,481	\$284,090	95%			\$189,395			
71	2027	\$494,896	\$292,613	100%			\$193,183			
72	2028						\$197,047			
73	2029						\$200,988			
74	2030						\$205,008			
75	2031						\$209,108			
76	2032						\$213,290			
77	2033						\$217,556			
78	2034						\$221,907			
79	2035						\$226,345			
80	2036						\$230,872			
81	2037						\$235,489			
82	2038						\$240,199			
83	2039						\$245,003			
84	2040						\$249,903			
85	2041						\$254,901			

(1) Salary projected to grow annually at 3%.

(2) The above chart is intended for illustrative purposes only and does not reflect any Early Commencement Reduction Factor.

(3) Because it is the intention that Executive must remain employed for 5 years from the date of this agreement in order to qualify for Early Retirement, the Applicable Percentage amounts designated at both ERA and NRA reflect the 2 year /10% vesting difference applicable to crediting prior Years of Service under Paragraph 2.28 .

These numbers on this page are provided for illustration purposes only and are in no way a guarantee of salary, benefits or amounts due under this agreement. The assumptions used

to calculate these amounts will only be determined at the time benefits become due, and thus there can be no guarantee of salary or benefits at the time this agreement is put into place.

EXHIBIT B
TO THE COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR HADLEY S. ROBBINS

DISTRIBUTION ELECTION FORM

Pursuant to the terms of the Supplemental Executive Compensation Agreement, by and between me, Hadley S. Robbins, and Columbia State Bank (hereinafter "Bank"), effective as of _____, 20__ ("Columbia SERP Agreement"), I have been granted a supplemental compensation benefit. Terms which are "defined terms" in the Columbia SERP Agreement shall have the same meaning within this Distribution Election Form.

Pursuant to IRC 409A, there are multiple restrictions and limitations regarding modifying the time and/or form of such payments; however an exception to these restrictions permits elections to change from a life annuity to another actuarially equivalent life annuity (prior to payments beginning).

In the event no alternate method is selected above, then amounts due under this Agreement shall be paid out as a single life annuity based on the life of Participant. Subject to the forgoing, and provided that payments have not yet begun, Executive may elect to have the Executive Benefit paid as follows:

Election of Actuarial Equivalent of Form of Benefit For Married Participant or Participant with Domestic Partner. Pursuant to the terms of the Columbia SERP Agreement, and consistent with IRC 409A, instead of having my benefit paid as a single life annuity, with payments continuing until my death, I elect to have my benefit paid to me as designated below:

- _____ A joint and survivor annuity with an actuarial equivalent of the benefit owing pursuant to the Columbia SERP Agreement, with payment continued to the surviving spouse (registered domestic partner) in the same amount as the amount paid to me.
- _____ A joint and survivor annuity in equal value to the actuarial equivalent of the benefit owing pursuant to the Columbia SERP Agreement, with payment continued to my surviving spouse (registered domestic partner) in one-half of the amount paid to me.

Acknowledgment of Limitations on Changes in Time and Form of Payment of Benefits. All Actuarially Equivalent valuations must be in compliance with IRC 409A and 1.409A-2(b)(2)(ii). In addition, when determining whether two life annuities are Actuarially Equivalent, the same actuarial assumptions and methods must be used in valuing each life annuity. This requirement applies over the entire term of Participant's participation in the Plan, such that the annuities must be actuarially equivalent at all times for the annuity options to be treated as one time and form of

payment. However, provided the actuarial methods and assumptions are reasonable, there is no requirement that consistent actuarial assumptions and methods be used over the term of Participant's participation in the Plan. Accordingly, the Plan may change the actuarial assumptions and methods used to determine the life annuity payments, provided that all of the actuarial assumptions and methods are reasonable.

In the event, however, that a joint and survivor annuity option is selected, and that Participant's spouse predeceases Participant, then for all payments made to Participant after Participant's spouse's death, the amounts payable under this Columbia SERP Agreement shall increase and be equal to the payment amounts Participant would have received under a single life annuity option. In addition, Participant shall no longer have the ability to make a new joint and survivor annuity election.

In the event no alternate method is selected above, then amounts due under this Agreement shall be paid out as a single life annuity.

EXECUTIVE: _____ Print Name: _____

Dated: ____

**EXHIBIT C
TO THE COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR HADLEY S. ROBBINS**

The following figures are provided ONLY as an example of potential benefit amounts in the event Executive Separates From Service at Normal Retirement Age:

Annual Payment Single Life Annuity Option (Executive's lifetime only): \$171,541.

Election of the joint and survivor annuity with an actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse in the same amount as the amount paid to the Executive might result in an annual benefit of \$134,543.

Election of the joint and survivor annuity in equal value to the actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse in one-half of the amount paid to Executive might result in an annual benefit of \$150,805 paid to Executive during their lifetime, with a benefit of \$75,402 being paid to Executive's spouse upon Executive's death.

THESE NUMBERS ARE PROVIDED FOR ILLUSTRATION PURPOSES ONLY AND ARE IN NO WAY A GUARANTEE OF BENEFITS OR AMOUNTS. IN ADDITION, THESE NUMBERS DO NOT REFLECT ANY REDUCTION/FORFEITURE REQUIRED AS A RESULT OF BENEFITS PROVIDED UNDER ADDITIONAL AGREEMENTS.

THE ASSUMPTIONS USED TO CALCULATE ACTUAL BENEFITS WILL ONLY BE DETERMINED AT THE TIME BENEFITS BECOME DUE, AND THUS THERE CAN BE NO GUARANTEE OF ANNUITY AMOUNTS AT THE TIME THIS AGREEMENT IS PUT INTO PLACE.

**EXHIBIT D
TO THE COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR HADLEY S. ROBBINS**

West Coast Bank Supplemental Executive Retirement Plan, effective April 1, 2007
Attached hereto

COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
(By and Between Columbia State Bank and Kumi Baruffi)

ARTICLE I

PURPOSE AND EFFECTIVE DATE

This Columbia State Bank Supplemental Executive Retirement Plan Agreement (hereinafter "Agreement"), entered into this February 27, 2015 by and between **Columbia State Bank** (hereinafter "Bank" "Employer") and Kumi Baruffi (hereinafter "Executive" or "Participant").

The purpose of this Columbia State Bank Supplemental Executive Retirement Plan (hereinafter the "Plan"), evidenced by this Agreement, is to provide supplemental retirement benefits for certain key employees of Columbia State Bank. It is intended that the Plan will aid in retaining and attracting individuals of exceptional ability by providing them with these benefits.

WHEREFORE, the Bank and Executive hereby agree to the following;

ARTICLE II

DEFINITIONS

For the purposes of this Agreement, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Furthermore, in the event of any ambiguity or in the event any clarification is required, the below terms shall be interpreted in a manner consistent with Internal Revenue Code Section 409A.

2.1 Actuarial Equivalent . The term "Actuarial Equivalent" means equivalence in value between two (2) or more forms and/or times of payment based on a determination by an actuary chosen by the Committee, utilizing the "applicable interest rate" specified by Internal Revenue Code Section 417(e)(3)(C) as of the date of Executive's Separation of Service or Disability, and the "applicable mortality table" specified in Code Section 417(e)(3)(B).

2.2 Administrator. The Bank shall be the "Administrator" and, solely for the purposes of ERISA (as defined below), the "fiduciary" of this Agreement where a fiduciary is required by ERISA.

2.3 Applicable Percentage. The term "Applicable Percentage" is the percentage of the Executive Benefit to which Executive may be entitled based on (a) the date on which the Executive Separates From Service or Terminates Employment with the Bank or (b) the circumstances described herein. Subject to the forgoing, the Applicable Percentage shall be as follows:

DATE OF SEPARATION FROM SERVICE	APPLICABLE PERCENTAGE
September 1, 2014 through August 31, 2017	0%
September 1, 2017 through August 31, 2018	15%
September 1, 2018 through August 31, 2019	20%
September 1, 2019 through August 31, 2020	25%
September 1, 2020 through August 31, 2021	30%
September 1, 2021 through August 31, 2022	35%
September 1, 2022 through August 31, 2023	40%
September 1, 2023 through August 31, 2024	45%
September 1, 2024 through August 31, 2025	50%
September 1, 2025 through August 31, 2026	55%
September 1, 2026 through August 31, 2027	60%
September 1, 2027 through August 31, 2028	65%
September 1, 2028 through August 31, 2029	70%
September 1, 2029 through August 31, 2030	75%
September 1, 2030 through August 31, 2031	80%
September 1, 2031 through August 31, 2032	85%
September 1, 2032 through August 31, 2033	90%
September 1, 2033 through August 31, 2034	95%
September 1, 2034 and thereafter	100%

2.4 Base Salary. "Base Salary" shall mean the regular cash compensation actually paid to Executive for services rendered or labor performed by Executive during a given calendar year, excluding bonuses, commissions, overtime, incentive payments, non-monetary awards. This amount shall include amounts Executive could have received in cash in lieu of (i) contributions made on Executive's behalf to a qualified plan maintained by the Bank or to any cafeteria plan under Section 125 of the Code maintained by Employer and (ii) deferrals of compensation made at the Executive's election pursuant to a plan or arrangement of the Employer.

2.5 Board. "Board" means the Board of Directors of Columbia State Bank.

2.6 Change in Control. For the purpose of this Agreement, a Change in Control shall be defined in a manner consistent with IRC 409A. Currently IRC provides a definition consistent with the following (and for the purposes of this provision, the term "corporation" shall mean Columbia State Bank):

- A. Change in the Ownership of a Corporation. A change in the ownership of a corporation occurs on the date that any one person or persons acting as a group (as defined in IRC 409A), acquires ownership of stock of the corporation that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of such corporation. The acquisition of additional stock by the same person or group is not considered to cause a change in the ownership of the corporation.

- B. Change in the Effective Control of a Corporation. A change in the effective control of the corporation shall be deemed to occur on either of the following dates:
- (i) The date any one person, or persons acting as a group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or group) ownership of stock of the corporation possessing thirty percent (30%) or more of the total voting power of the stock of such corporation; or
 - (ii) The date a majority of members of the corporation's board of directors is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the corporation's board of directors before the date of the appointment or election.
- C. Change in the Ownership of a Substantial Portion of a Corporation's Assets. A change in the ownership of a substantial portion of a corporation's assets shall be deemed to occur on the date that any one person or group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the corporation that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the corporation immediately before such acquisition or acquisitions. No Change in Control shall result if the assets are transferred to certain entities controlled directly or indirectly by the shareholders of the transferring corporation.

In addition, to constitute a change in control event with respect to the Executive, the change in control event must relate to (i) the corporation for whom Executive is performing services at the time of the Change in Control; (ii) The corporation that is liable for the payment of the amounts described herein (or all corporations liable for the payment if more than one corporation is liable) but only if either the deferred compensation is attributable to the performance of service by the Executive for such corporation(s) or there is a bona fide business purpose for such corporation(s) to be liable for such payment and, in either case, no significant purpose of making such corporation(s) liable for such payment is the avoidance of Federal income tax; or (iii) a corporation that is a majority shareholder of a corporation identified in (i) or (ii) above, or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in (i) or (ii) above.

2.7 The Code. The "Code" shall mean the Internal Revenue Code of 1986, as amended.

2.8 Committee. The term "Committee" means the Compensation Committee of the Board of Directors of Columbia State Bank.

2.9 Competitive Activity. For the purposes of this Agreement, “Competitive Activity” is defined as acting directly or indirectly as an employee, agent, stockholder (other than passive holdings of less than two percent (2%) of the outstanding shares of a publicly-traded company), member, officer, director, co-partner, advisor, or in any other individual or representative capacity, on behalf of any “Conflicting Organization.”

2.10 Conflicting Organization. For purposes of this Agreement, “Conflicting Organization” is defined as any person, entity, or organization engaged (or about to become engaged) in a business similar to, or that competes with, the business of Employer, including without limitation any bank or financial institution (including without limitation any trust company, finance company, or leasing company).

2.11 Disability/Disabled. For the purposes of this Agreement, Executive will be considered Disabled if it is determined (in a manner consistent with IRC 409A) that Executive is Disabled within the meaning of IRC 409A. Currently, IRC 409 provides the following definition of Disability:

- A. The Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or
- B. The Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Employee’s employer.

In the event a disability policy has been purchased by Employer for Executive, then the individual or entity responsible for determining such disability thereunder shall determine Executive’s Disability under this Agreement (using the forgoing Disability definition). In the event no such disability policy exists, then the Plan Administrator shall make a good faith determination of Disability in a manner consistent with that required under IRC 409A.

2.12 Early Commencement Reduction Factor. The term “Early Commencement Reduction Factor” is the amount by which an Executive Benefit shall be reduced based on the benefit being paid prior to Executive’s attainment of the Normal Retirement Age. The amount of the Early Commencement Reduction Factor shall be determined as follows: for each year (or partial year) that an Executive’s benefit hereunder is paid prior to his attainment of the Normal Retirement Age, then the benefit amount shall be reduced, on a pro rata basis, by a factor of five percent (5%). Thus, if an executive with a Normal Retirement Age of sixty-five (65) begins receiving payments at age sixty-two and one half (62 ½), the amount of the annual benefit shall be reduced by 12.5% ($65 - 62 \frac{1}{2} = 2.5$; $2.5 \times 5\% = 12.5\%$).

2.13 Early Retirement Age. The “Early Retirement Age” shall be age fifty-five (55).

2.14 Effective Date. The term “Effective Date” shall mean the date first written above.

2.15 Employer or Bank. The term “Employer” or “Bank” shall mean Columbia State Bank, any subsidiaries or affiliates thereof, or any successors thereto.

2.16 Employer’s Market Area . For the purposes of this Agreement, “Employer’s Market Area” is defined as including the following locations, either during Executive’s employment or at the time of Executive’s Separation From Service or Disability:

- A. Any counties in the States of Washington, Oregon or Idaho in which Employer maintains a branch or other office, and all counties bordering on any such county, or
- B. Any counties in other States in which Employer maintains a branch or other office at the time of Executive’s Separation From Service or Disability, and all counties bordering on any such county, or
- C. Any other county in which Employer has bona fide documented plans to establish a branch or office, as demonstrated by minutes of board of director meetings, regulatory correspondence, or other written communications with third parties (including legal or financial advisers) with respect to such geographic expansion, and of which Executive is aware due to his employment with Employer.

Executive acknowledges that Employer currently has operations in various counties within the states of Washington, Oregon or Idaho that Employer plans to continue to expand its operations and presence within these states and other states, and that as a member of Employer’s senior management, Executive’s services are integral to these operations and expansion plans.

2.17 ERISA. The term "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

2.18 Executive Benefit. For the purposes of this Agreement, then term “Executive Benefit” shall refer to the annual amount to which Executive is entitled to receive pursuant to this Agreement. In addition, where the Executive Benefit is defined in terms of a lifetime annuity, Executive shall have the right under IRC 409A to elect an alternate annuity payment method, as specified herein. Amounts actually received by the Executive, however, shall be determined pursuant to Paragraphs 1 through 5 (including sub-paragraphs, as applicable), forfeited, reduced or adjusted to the extent: (a) required under the other provisions of this Agreement; (b) required by reason of the lawful order of any regulatory agency or body having jurisdiction over Employer; or (c) required in order for Employer to comply with any and all applicable state and federal laws, including, but not limited to, income, employment and disability income tax laws (e.g., FICA, FUTA, SDI).

2.19 Involuntary Termination/ Involuntary Separation From Service . The terms “Involuntary Termination” or “Involuntary Separation From Service” shall be defined as it is in IRC 409A, which currently provides that an “Involuntary” Termination shall mean a Separation From Service due to the independent exercise of the unilateral authority of the Employer to terminate the Executive’s services, other than due to the Executive’s implicit or explicit request, where the Executive was willing and able to continue performing services (and not as the result of a Disability of a Termination For Cause).

2.20 IRC 409A. The term “IRC 409A” shall refer to the final regulations issued by the IRS and the Treasury Department under Section 409A of the Code, and shall be deemed to include all related guidance issued.

2.21 Normal Retirement / Normal Retirement Age. The term "Normal Retirement" shall mean the Executive’s Separation From Service on or after attaining the Normal Retirement Age of sixty-five (65) and for reasons other than a Termination for Cause, because of a Disability, or pursuant to the provisions of Paragraph 5.4.

2.22 Participant/Executive. For the purpose of this Agreement, the terms “Executive” and “Participant” shall be interchangeable.

2.23 Remain Employed. For the purpose of this Agreement, the term “Remain(s) Employed” shall mean that Executive has not experienced a Separation From Service.

2.24 Separation From Service/ Termination of Employment. The terms “Separation From Service” (“Separates From Service”) and “Termination of Employment” shall be used interchangeably for the purposes of this Agreement and shall be interpreted in accordance with the provisions of IRC 409A. Currently, IRC 409A provides that whether a termination of employment has occurred is determined based on whether the facts and circumstances indicate that the Bank and the Executive reasonably anticipate that no further services will be performed after a certain date or that the level of bona fide services the employee will perform after such date (whether as an employee or as an independent contractor) will permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed (as an employee or an independent contractor) over the immediately preceding thirty-six (36) month period (or the full period of services to the Employer if the employee has been providing services to the employer less than 36 months). There shall be no Separation From Service while the Executive is on military leave, sick leave or other bona fide leave of absence, as long as such leave does not exceed six (6) months, or if longer, so long as the individual retains a right to re-employment with the service recipient under an applicable statute or by contract.

2.25 Specified Employee. The term “Specified Employee” shall be defined in accordance with IRC 409A, which states that a “Specified Employee” is an employee who, as of the date of the employee’s Separation From Service, is a key employee of an employer of which any stock is publicly traded on an established securities market or otherwise. An employee is a key employee if the employee meets the requirements of section 416(i)(1)(A)(i), (ii), or (iii) (applied in accordance

with the regulations thereunder and disregarding section 416(i)(5)) at any time during the twelve (12) month period ending on a specified employee identification date. If Executive is a key employee as of a specified employee identification date, then Executive shall be treated as a key employee for the entire twelve (12) month period beginning on the specified employee effective date.

2.26 Target Benefit Amount. For the purposes of this Agreement, the “Target Benefit Amount” shall be an amount equal to sixty percent (60%) of the average of Executive’s three (3) highest years of Base Salary (as of the date of Separation From Service or Disability). For illustrative purposes only, attached hereto and incorporated by reference herein as “Exhibit A” is an illustration of Executive’s projected salary and potential benefit under this Agreement. This illustration is in no way a guarantee of benefits, salary or benefit amounts, but rather is intended to provide a framework for understanding potential benefits provided hereunder. Furthermore, this illustration in Exhibit A is based on certain assumptions which may or may not be accurate at the time a benefit is due or vests.

2.27 Termination For Cause. The term “Termination For Cause” shall be defined as it is in any current employment agreement between Employer and Executive. In the event no such employment agreement exists, a Termination For Cause shall be defined as a Termination because of any of the following:

- A. Willful misfeasance or gross negligence;
- B. Conduct demonstrably and significantly harmful to Employer or a financial institution subsidiary;
or
- C. Conviction of a felony.

2.28 Termination For Good Reason. A termination shall be deemed to be for Good Reason if after a Change of Control, Executive Separates From Service on or after the occurrence of any of the below events, and such events occur without the Executive’s consent:

- A. A material diminution in the Executive’s total compensation;
- B. A material diminution in the Executive’s authority, duties, or responsibilities;
- C. A material change in the geographic location at which Employee must perform services (within the meaning of Treasury Regulations Section 1.409A-1(n)(2)(ii)(A)(5)), provided that in no event shall a change in geographic location of less than forty-five (45) miles be considered a material change in geographic location for purposes of this Agreement.

In the event of any of the forgoing circumstances, Executive shall provide notice to Employer of the existence of the conditions described above within a period not to exceed ninety (90) days of the initial existence of said condition, upon the notice of which Employer must be provided a period of at least thirty (30) days during which it may remedy the condition. If the condition is not

remedied within those thirty (30) days, and Executive Voluntarily Terminates his employment within the two (2) year period following the initial occurrence of one or more of these conditions, then such Separation From Service shall be deemed to have been “For Good Reason”.

2.29 Voluntary Termination. The term “Voluntary Termination” shall mean a Separation From Service elected by the Executive and not as a result of a Disability or For Good Reason.

2.30 Years of Service. The term “Years of Service” shall mean the twelve (12) consecutive month period beginning on a Executive’s date of hire and any twelve (12) month anniversary thereof, during the entirety of which time the Executive is an employee of the Company and has not experienced a Separation From Service. Service with a subsidiary or other entity controlled by the Company before the time such entity became a subsidiary or under such control shall not be considered credited “Service” unless the Plan Administrator specifically agrees to credit such service.

ARTICLE III

SCOPE, PURPOSE AND EFFECT

3.1 Not a Contract of Employment. Although this Agreement is intended to provide Executive with an additional incentive to remain in the employ of Employer, this Agreement shall not be deemed to constitute a contract of employment between Executive and Employer, nor shall any provision of this Agreement restrict or expand the right of Employer to terminate Executive's employment. This Agreement shall have no impact or effect upon any separate written employment agreement which Executive may have with Employer, it being the parties' intention and agreement that unless this Agreement is specifically referenced in said employment agreement (or any modification thereto), this Agreement (and Employer's obligations hereunder) shall stand separate and apart and shall have no effect on or be affected by, the terms and provisions of said employment agreement.

3.2 Fringe Benefit. The benefits provided by this Agreement are granted by the Employer as a fringe benefit to Executive and are not a part of any salary reduction plan or any arrangement deferring a bonus or a salary increase. Executive has no option to take any current payments or bonus in lieu of the benefits provided by this Agreement.

3.3 Prohibited Payments. Notwithstanding anything in this Agreement to the contrary, if any payment made under this Agreement is a “golden parachute payment” as defined in Section 28(k) of the Federal Deposit Insurance Act (12 U.S.C. section 1828(k) and Part 359 of the Rules and Regulations of the Federal Deposit Insurance Corporation (collectively, the “FDIC Rules”) or is otherwise prohibited, restricted or subject to the prior approval of a Bank Regulator, no payment shall be made hereunder without complying with said FDIC Rules.

ARTICLE IV

PAYMENT RESTRICTIONS AND LIMITATIONS

4.1 Delay in Payments for Specified Employee in the Event of a Separation From Service and Compliance With IRC 409A. In the event Executive is a Specified Employee as of the date of a Separation From Service, then a payment conditioned upon a Separation From Service may not be made before the date that is six (6) months after the date of Separation From Service (or, if earlier than the end of the six-month period, the date of death of the Specified Employee).

If payments to which Executive would otherwise be entitled during the first (1st) six (6) months following a Separation From Service are subject to this six (6) month delay in payment, then such payments shall be accumulated and paid on the first (1st) day of the seventh (7th) month following the date of Separation From Service. Payments will then continue thereafter as called for pursuant to the terms of this Agreement.

Notwithstanding any provision existing in this Agreement or any amendment thereto, it is the intent of the Employer and the Executive that any payment or benefit provided pursuant to this Agreement shall be made and paid in a manner, at a time and in a form which complies with the applicable requirements of IRC 409A in order to avoid any unfavorable tax consequences resulting from any such failure to comply.

4.2 Modifying Form of Benefit Payment/Single Life Annuity vs. Joint Life. Subject to the requirement that the methodology for calculation of “Actuarial Equivalence” be consistent with IRC 409A, when the Executive Benefit herein provides for payment as a single life annuity, then, in the alternative, Executive may elect one (1) of two (2) alternative annuity payout methods as presented in “Exhibit B”, the Distribution Election Form. These optional methods consist of joint and survivor annuities with an Actuarial Equivalent value equal to the single life Executive Benefit, with payments continued to the survivor in varying amounts. “Exhibit C”, attached hereto, provides a hypothetical example of how the benefit payments might differ between a single life annuity and a joint life annuity. The benefit payment commencement date and schedule shall otherwise remain unchanged. Any election to use an alternate annuity payment method must be made prior to the payment start date and, other than as addressed herein below, Executive shall not have the ability to modify the form of annuity elected once payments have begun. In the event, however, that a joint and survivor annuity option is elected and the Executive’s spouse pre-deceases Executive, then for all payments made to Executive after the Executive’s spouse’s death, the amounts payable under this Agreement shall increase and be equal to the payment amounts Executive would have received under a single life annuity option. Executive shall not be able then to designate a new spouse and reinstate joint life annuity payments.

4.3 Withholding of Payroll Taxes. Employer shall withhold from payments made hereunder any taxes required to be withheld from Executive’s wage under federal, state or local law.

ARTICLE V

PAYMENT OF EXECUTIVE BENEFITS

Executive Benefit payments due hereunder shall be payable under this Agreement pursuant to only one (1) provision herein below. The date and circumstances of Executive's Separation From Service shall determine which paragraph shall be used to calculate the Executive Benefit payment due.

5.1 Executive Benefit Payments in the Event of Normal Retirement. Subject to the provisions of Article VI below, the Executive Benefit under this provision shall be determined as follows:

- A. Amount of Benefit.** In the event Executive Separates From Service on or after attaining the Normal Retirement Age (and for reasons other than a Termination for Cause, because of a Disability, or pursuant to the provisions of paragraph 5.4 dealing with a Change in Control), then the Executive Benefit shall be an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount. In addition to the forgoing, the annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first (1st) anniversary of the first (1st) Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit.
- B. Payment Method .** This annual Executive Benefit shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first (1st) day of the first (1st) month following Executive's Separation From Service and continuing until the death of the Executive. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.

5.2 Executive Benefit Payments on or After Attaining the Early Retirement Age but Before Attaining the Normal Retirement Age. Subject to the provisions of Article VI below, in the event Executive Separates From Service on or after attaining the Early Retirement Age, but before attaining the Normal Retirement Age, then the Executive Benefit to which Executive is entitled shall be determined as follows:

- A. Amount of Benefit.**

 - (1) Involuntary Termination or Voluntary Termination With Ten (10) Years of Service. In the event of an Involuntary Termination or a Voluntary Termination by Executive after completing ten (10) Years of Service, either of which occur on or after attaining the Early Retirement Age but

before attaining the Normal Retirement Age, then Executive shall be entitled to receive an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount; however this amount shall be reduced by the Early Commencement Reduction Factor. In addition to the forgoing, the annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first (1st) anniversary of the first (1st) Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit.

- (2) Voluntary Termination Without Ten Years Service. In the event Executive has not completed ten (10) Years of Service, then upon a Voluntary Separation From Service on or after attaining the Early Retirement Age but before attaining the Normal Retirement Age, Executive shall forfeit all rights and benefits he may have had under the terms of this Agreement.

- B. **Payment Method.** Any Executive Benefit due hereunder shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first (1st) day of the first (1st) month following Executive's Separation From Service and continuing until the death of the Executive. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.

5.3 Executive Benefit Payments in the Event of Involuntary or Voluntary Termination Prior to Attaining the Early Retirement Age. Subject to the provisions of Article VI below, in the event Executive Separates From Service prior to attaining the Early Retirement Age, then the Executive Benefit to which Executive is entitled shall be determined as follows:

A. **Benefit Amount.**

- (1) Involuntary Termination. In the event Executive is Involuntarily Terminated prior to attaining the Early Retirement Age, then Executive shall be entitled to receive an Executive Benefit equal to the Actuarial Equivalent of the following: a lifetime benefit with an annual amount equal to the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount, assuming a payment commencement date of the first (1st) day of the first (1st) month immediately following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) per year increase in the Executive Benefit amount.
- (2) Voluntary Termination. In the event Executive Voluntarily Terminates employment with the Bank prior to attaining the Early Retirement Age, then the Executive Benefit shall be determined as follows:

(a) If Executive has attained an Applicable Percentage of one hundred percent (100%), then he shall be entitled to receive an Executive Benefit equal to the Actuarial Equivalent of the following: a lifetime benefit with an annual amount equal to the Applicable Percentage of the of the Target Benefit Amount, assuming a payment commencement date of the first (1st) day of the first (1st) month immediately following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) per year increase in the Executive Benefit amount.

(b) If Executive has not attained an Applicable Percentage of one hundred percent (100%), he shall forfeit any and all rights and benefits he may have under the terms of this Agreement and shall have no right to be paid any of the amounts which would otherwise be due or paid to the Executive by the Bank pursuant to the terms of this Agreement.

B. Payment Method. This Executive Benefit shall be paid in one (1) lump sum one (1) year following Separation From Service.

5.4 Termination Following a Change in Control. Other than amounts due as a result of Disability, then following a Change in Control, this Paragraph 5.4 shall determine the Executive Benefit due in the event of a Separation From Service at any time following such Change in Control.

A. Benefit Amount.

(1) Involuntary Termination or Termination for Good Reason. In the event Executive is Involuntarily Terminated or Terminates for Good Reason following a Change in Control and prior to attaining the Normal Retirement Age, then the Applicable Percentage shall be deemed to be that percentage Executive would have received had he Remained Employed until attaining the Normal Retirement Age. In the event Executive has already attained the Normal Retirement Age at the time of an Involuntary Termination or a Termination for Good Reason following a Change in Control, then Executive's Applicable Percentage shall be determined pursuant to the provisions of Paragraph 2.3. Executive shall then be entitled to receive an annual amount calculated as follows: the Applicable Percentage of the Target Benefit Amount*. Executive shall NOT be subject to the non-compete provisions of Article VI below. (*As stated in Paragraph 5.4B, whether paid as an annuity or lump sum, this Executive Benefit shall reflect a two percent (2%) annual benefit increase, and when paid as an annuity prior to Normal Retirement, shall be subject to the Early Commencement Reduction Factor).

(2) Voluntary Termination. In the event Executive Voluntarily Separates From Service following a Change in Control, then Executive shall be entitled to receive one of the following amounts, depending on the circumstances specified below:

a. If Executive has attained the Early Retirement Age and has completed ten (10) Years of Service, or if he has attained an Applicable Percentage of one hundred percent (100%), or if he has attained the Normal Retirement Age at the time of such Separation From Service, then he shall receive an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) of the Target Benefit Amount*. Executive shall be subject to the provisions of Article VI below. (*As stated in Paragraph 5.4B, whether paid as an annuity or lump sum, this Executive Benefit shall reflect a two percent (2%) annual benefit increase, and when paid as an annuity prior to Normal Retirement, shall be subject to the Early Commencement Reduction Factor).

b. In the event Executive Voluntarily Separates From Service following a Change in Control but does not satisfy the requirements of Paragraph 5.4A(2)a above, then he shall forfeit all rights and benefits he may have had under the terms of this Agreement.

B. Benefit Payments. At the time this Agreement is executed, Executive may elect the following payment method option as provided in the Distribution Election Form for Executive Benefits due and owing as a result of a Separation From Service which occurs within two (2) years following a Change in Control. If, however no such election is made at the time this Agreement is executed, then any Executive Benefit payment made pursuant to this Paragraph 5.4 shall be paid as specified below in sub-paragraph 5.4B(2). Furthermore, and regardless of whether Executive elects the following option under this sub-paragraph 5.4B(1), a Separation From Service which occurs after the expiration of the two (2) year window following a Change in Control shall be paid as specified below sub-paragraph 5.4B(2). Subject to the forgoing, Executive Benefit payments pursuant to this Paragraph 5.4 shall be as follows:

(1) If Executive's Separation From Service occurs within two (2) years following a Change in Control, then, when timely elected by Executive in the Distribution Election Form, the Executive Benefit payable pursuant to the terms of Paragraph 5.4A above shall be paid in one (1) lump sum as an Actuarial Equivalent value, assuming a lifetime benefit with a payment commencement date of the first (1st) day of the first (1st) month following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) annual increase in Executive Benefit amounts. This Actuarial Equivalent amount shall be paid in one (1) lump

sum on the first (1st) day of the first (1st) month following Separation From Service.

(2) If Executive's Separation From Service occurs after the two (2) year window of time following a Change in Control has expired, or if Executed did not elect the payment option specified above under Paragraph 5.4B(1), then the Executive Benefit payable pursuant to the terms of Paragraph 5.4A above shall be paid as follows, depending upon The Executive's age at the time of Separation From Service:

a. In the event Executive has attained at least the Early Retirement Age at the time of Separation From Service, then Executive Benefit payments shall commence on the first (1st) day of the first (1st) month following the Executive's Separation From Service and shall be paid in twelve (12) substantially equal monthly installments, with payments commencing on the first (1st) day of the first (1st) month following Executive's Separation From Service and continuing until the death of Executive. The forgoing shall be subject to the Early Commencement Reduction Factor for payments commencing before the Normal Retirement Age. In addition to the forgoing, the annual Executive Benefit amount shall be increased at the rate of two percent (2%) each year, beginning on the first (1st) anniversary of the first (1st) Executive Benefit payment and annually thereafter for so long as Executive is entitled to receive an Executive Benefit. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.

(b) In the event Executive has not yet attained the Early Retirement Age as of the date of Separation From Service, then the Executive Benefit defined above in Paragraph 5.4A shall be paid out in one (1) lump sum as an Actuarial Equivalent value, assuming a lifetime benefit with a payment commencement date of the first (1st) day of the first (1st) month following Executive's attainment of the Normal Retirement Age and assuming a two percent (2%) annual increase in Executive Benefit amounts. This Actuarial Equivalent amount shall be paid in one (1) lump sum one (1) year following Separation From Service.

5.5 Disability.

A. **Benefit Amount.** Subject to the provisions of Article VI below, in the event that Executive becomes Disabled prior to Separating From Service, then upon such Disability, Executive shall be entitled to receive one (1) of the following amounts, depending on circumstances:

- (1) In the event Executive becomes Disabled prior to attaining the Normal Retirement Age, then Executive shall be entitled to be paid a lump sum amount equal to the Actuarial Equivalent value of the following: a lifetime benefit with annual payments equal to the Applicable Percentage that Executive would have achieved had he remained employed until the Normal Retirement Age, multiplied by the Target Benefit Amount, and assuming a payment commencement date of the Normal Retirement Age, and factoring in a two percent (2%) annual increase in Executive Benefit amounts. In addition, for the purposes of this provision, the Target Benefit Amount shall be determined based on the following assumptions: it shall be assumed that for each year following Executive becoming Disabled, Executive's Base Salary will increase annually at a rate of three percent (3%) each year on anniversary of Executive's date of hire until such time as Executive attains the Normal Retirement Age.
- (2) In the event Executive becomes Disabled after attaining the Normal Retirement Age, then the Executive shall be entitled to be paid a lump sum amount equal to the Actuarial Equivalent value of the following: a lifetime benefit with annual payments equal to the Applicable Percentage (as of the date of Separation from Service) of the Target Benefit Amount, assuming a payment commencement date of the date of Disability, and factoring in a two percent (2%) annual increase in Executive Benefit amounts.

B. Benefit Payments. All amounts due as a result of Disability shall be paid in one (1) lump sum on the first (1st) day of the first (1st) month following Disability.

5.6 Termination For Cause. In the event Executive is Terminated For Cause at any time after the effective date of this Agreement, then he shall forfeit any and all rights and benefits he may have under the terms of this Agreement and shall have no right to be paid any of the amounts which would otherwise be due or paid to the Executive by the Bank pursuant to the terms of this Agreement.

5.7 Death.

A. Benefit Amount and Payment.

- (1) Death prior to Separation From Service. In the event Executive dies prior to Separating From Service, then there are no death benefits payable

under this Agreement. Any such benefits would be payable pursuant to a Split Dollar Life Insurance Agreement, if any exists.

- (2) Death after Separation From Service and after becoming entitled to receive payment, but prior to receiving any or all such payments. In the event Executive dies after Separating From Service and after becoming entitled to the benefits specified under this Agreement, then payments shall only be made following Executive's death if Executive has elected a joint and survivor payment option.

ARTICLE VI

NON-COMPETITION AND NON-SOLICITATION/NON-INTERFERENCE; FORFEITURE IN THE EVENT OF BREACH; MANDATORY ARBITRATION

6.1 Non-Competition. Notwithstanding any other provision of this Agreement, the Executive Benefit due pursuant to the provisions of Paragraphs 5.1, 5.2, 5.3, 5.4A(2), and 5.5 shall be forfeited and no Executive Benefit shall be due Executive hereunder if Executive enters into any Competitive Activity on behalf of a Conflicting Organization in Employer's Market Area during Executive's employment or within the two (2) year period following the date of Executive's Separation From Service.

6.2 Non-Solicitation. The restrictions in Paragraph 6.1 also include without limitation, for a period of two (2) years following the date of Executive's Separation from Service, Executive shall not solicit, directly or indirectly, on behalf of a Conflicting Organization in Employer's Market Area, any customer, client, or employee of Employer. Specifically, Executive may not, directly or indirectly:

- A. Solicit, or attempt to solicit, induce, invite, encourage, recommend, request, or participate in recruiting any client or customer of Employer to terminate or change the client or customer's relationship with Employer, including without limitation, transferring the client or customer's business to a Conflicting Organization; or
- B. Solicit or attempt to solicit, induce, invite, encourage, recommend, request, or participate in recruiting any employee, current or future, of Employer, to leave employment with Employer in order to participate, as an employee or otherwise, in any manner in Competitive Activity for a Conflicting Organization, or to hire or cause to be hired or assist in the hiring of Employer's current or future employees by a Conflicting Organization, or provide information to any third party to suggest, encourage, aid or facilitate such solicitation, inducement, recruitment or hiring.

Solicitation prohibited under this Paragraph 6.2 includes solicitation by any means, including, without limitation, meetings, phone calls, letters or other mailings, and electronic and internet communications of any kind, or any other type of conduct intended or reasonably calculated to induce or urge a client, customer, or employee to discontinue, in whole or in part, its employment or business relationship with Employer.

6.3 Injunctive Relief. Executive acknowledges and agrees that Employer has a legitimate business interest in enforcement of the restrictions in this Article VI, including without limitation, Employer's need to protect the goodwill of Employer's business, Employer's client relationships, the stability of Employer's workforce, and other such legitimate business interests. In the event that Executive breaches or threatens to breach, or Employer reasonably believes that Executive is about to breach the obligations of this Article, Executive acknowledges and agrees that Employer shall be entitled to obtain injunctive relief in state or federal court, in addition to, and not in lieu of, any other legal or equitable rights and remedies available to Employer. Executive acknowledges and agrees that Employer will suffer immediate and irreparable harm from such breach or threatened breach and that money damages will not be adequate to compensate Employer or to protect and preserve the status quo.

6.4 Enforceability. If an arbitrator or a court of competent jurisdiction shall find any provision of this Article VI illegal or unenforceable, the arbitrator or court may reform such provision to the extent necessary to render the otherwise unenforceable provision, and the rest of the Agreement, valid and enforceable, and so as to permit maximum restrictions that are legal and enforceable to be applied to the Executive's ability to compete with Employer. If an arbitrator or court declines to amend any such provision as provided herein, the invalidity or unenforceability of any such provision shall not affect the validity or enforceability of the remaining provisions, which shall be enforced as if the offending provision had not been included in this Agreement.

6.5 Excuse/Reimbursement Right. To the extent that Executive is paid an Executive Benefit under this Agreement and breaches this provision, Employer shall not only be excused from paying any future benefit, but Employer shall have the right to seek reimbursement for all amounts previously paid out under this Agreement, to the extent allowed by law.

6.6 Arbitration. All controversies and claims arising under or relating to this Article VI, including the scope of this mandatory arbitration provision, shall be submitted to binding arbitration before a single arbitrator to be selected by the parties. Notice of the demand for arbitration shall be in writing and served on the other party to this Plan. Within ten (10) days after notice by one party to the other of its demand for arbitration, the parties shall confer as to the selection of an arbitrator. The arbitration shall be subject to the rules of procedure established by the Employment Arbitration Rules of the American Arbitration Association, and shall be conducted in Tacoma, Washington, unless otherwise agreed to by the parties. The arbitrator shall apply Washington law, without regard to its choice of law principles. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute, or other matter in question would be barred by the applicable statute of limitations. Any award, order or judgment pursuant to the arbitration shall be final and binding upon the parties and their successors and assigns, and may be entered and enforced in any court of competent jurisdiction. The requirements of this Paragraph do not prohibit the filing of a court action by either party for temporary equitable relief in aid of arbitration, and as provided in Paragraphs 6.3 and 6.4 above. Each party irrevocably submits to the exclusive jurisdiction and venue of the federal and state courts of Washington in any legal suit, action or proceeding for purposes of (a) enforcing this arbitration provision, (b) entering and enforcing any award, order, or judgment pursuant to this arbitration provision, and (c) any legal suit, action or proceeding to obtain temporary equitable relief as set forth above.

ARTICLE VII

ADMINISTRATION

7.1 Committee and Duties. This Plan shall be administered by an Administrative Committee which shall consist of not less than three (3) persons appointed by the Board of Directors. Any member of the Committee may be removed at any time by the Board. Any member may resign by delivering his written resignation to the Board. Upon the existence of any vacancy, the Board may appoint a successor. The Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan. A majority of the members of the Committee shall constitute a quorum for the transaction of business. A majority vote of the Committee members constituting a quorum shall control any decision.

7.2 Agents. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to Employer.

7.3 Binding Effect of Decisions. The decision or action of the Committee in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

7.4 Indemnity of Committee. Employer shall indemnify and hold harmless the members of the Committee against any and all claims, loss, damage, expense, or liability arising from any action or failure to act with respect to this Plan, except in the case of gross negligence or willful misconduct.

ARTICLE VIII

CLAIMS PROCEDURE

8.1 Claim. In the event a dispute arises over the benefits under this executive Plan and benefits are not paid to the Executive (or to the Executive's beneficiary[ies], if applicable) and such claimants feel they are entitled to receive such benefits, then a written claim must be made to the Named Fiduciary and Plan Administrator named above in accordance with the following procedures:

- A. Written Claim. The claimant may file a written request for such benefit to the Plan Administrator.
- B. Claim Decision. Upon receipt of such claim, the Plan Administrator shall respond to such claimant within ninety (90) days after receiving the claim. If the Plan Administrator determines that special circumstances require additional time for processing the claim, the Plan Administrator can extend the response period by an additional ninety (90) days for reasonable cause by notifying the claimant in writing, prior to the end of the initial ninety (90) day period, that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Plan Administrator expects to render its decision.

If the claim is denied in whole or in part, the Plan Administrator shall notify the claimant in writing of such denial. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (i) The specific reasons for the denial;
 - (ii) The specific reference to pertinent provisions of the Agreement on which the denial is based;
 - (iii) A description of any additional information or material necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary;
 - (iv) Appropriate information as to the steps to be taken if the claimant wishes to submit the claim for review and the time limits applicable to such procedures; and
 - (v) A statement of the claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.
- C. Request for Review. Within sixty (60) days after receiving notice from the Plan Administrator that a claim has been denied (in part or all of the claim), then claimant (or their duly authorized representative) may file with the Plan Administrator, a written request for a review of the denial of the claim.

The claimant (or his duly authorized representative) shall then have the opportunity to submit written comments, documents, records and other information relating to the claim. The Plan Administrator shall also provide the claimant, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits.

- D. Decision on Review. The Plan Administrator shall respond in writing to such claimant within sixty (60) days after receiving the request for review. If the Plan Administrator determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the claimant prior to the termination of the initial sixty (60) day period. In no event shall such extension exceed a period of sixty (60) days from the end of the initial period. The notice of extension must set forth the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render its decision.

In considering the review, the Plan Administrator shall take into account all materials and information the claimant submits relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

The Plan Administrator shall notify the claimant in writing of its decision on review. The Plan Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (i) The specific reasons for the denial;
- (ii) A reference to the specific provisions of the Agreement on which the denial is based;
- (iii) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits; and
- (iv) A statement of the claimant's right to bring a civil action under ERISA Section 502(a).

- E. Special Timing Rules for Disability Claims. In the event a claim above is a claim for disability benefits, then the applicable time periods for notifying claimants regarding benefits determinations shall be reduced as required by 29 CFR 2560.503-1 (I.e., (a) the ninety (90) day response time with the possibility of a ninety (90) day extension in Section 8.2B shall be shortened to a forty-five (45) day response time with the possibility of a thirty (30) day extension, and (b) the sixty (60) day response time with the possibility of a sixty (60) day extension in shall be shortened to a forty-five (45) day response time with the possibility of a forty-five (45) day extension). In addition, in the event of a disability claim, the Bank shall identify any medical or

vocational expert whose advice was obtained by the Plan in connection with the initial benefit determination, without regard to whether the advice was relied upon. If the review is from an adverse benefit determination that was based in whole or in part on a medical judgment, the Bank shall consult with a health care professional that has appropriate training and experience in the field of medicine involved in the medical judgment and who is neither the individual who was consulted in connection with the adverse benefit determination that is under review nor the subordinate of such individual. Any review of the denial of a claim made on account of disability shall be conducted by a person or persons who neither had any part in the initial benefit determination nor are subordinates of the persons who did.

8.2 Arbitration of Disputes. Other than as addressed in Article VI, all unresolved claims, disputes and other matters in question arising out of or relating to this Plan or the breach or interpretation thereof, (including the scope of this mandatory arbitration provision), other than those matters which are to be determined by Employer in its sole and absolute discretion, shall be resolved by binding arbitration before a single arbitrator to be selected by the parties (unless prohibited by ERISA). Notice of the demand for arbitration shall be in writing and served on the other party to this Plan. Within ten (10) days after notice by one party to the other of its demand for arbitration, the parties shall confer as to the selection of an arbitrator. The arbitration shall be subject to the rules of procedure established by the Employment Arbitration Rules of the American Arbitration Association (“AAA”), and shall be conducted in Tacoma, Washington, unless otherwise agreed to by the parties. The arbitrator shall apply Washington law, without regard to its choice of law principles. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations. Any award, order or judgment pursuant to the arbitration shall be final and binding upon the parties and their successors and assigns, and may be entered and enforced in any court of competent jurisdiction. The requirements of this Paragraph do not prohibit the filing of a court action by either party for temporary equitable relief in aid of arbitration. Each party irrevocably submits to the exclusive jurisdiction and venue of the federal and state courts of Washington in any legal suit, action or proceeding for purposes of (a) enforcing this arbitration provision, (b) entering and enforcing any award, order, or judgment pursuant to this arbitration provision, and (c) any legal suit, action or proceeding to obtain temporary equitable relief as set forth above.

8.3 Attorneys’ Fees. In the event of any arbitration or litigation concerning any controversy, claim or dispute between the parties hereto, arising out of or relating to this Agreement or the breach hereof, or the interpretation hereof, to the extent permitted by law (a) each party shall pay his own attorneys’ arbitration and legal fees incurred pursuant to this Agreement; and (b) if Executive prevails, he shall be entitled to recover from the other party reasonable expenses, attorneys' fees and costs incurred in the enforcement or collection of any judgment or award rendered. The term "prevails" applies if the arbitrator(s) or court finds that Executive is entitled to contested money payments from the other, but does not necessarily imply a judgment rendered in favor of Executive.

ARTICLE IX

MISCELLANEOUS

9.1 Unfunded Plan. This Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly compensated employees” within the meaning of Sections 201, 301, and 401 of the Employee Retirement Income Security act of 1974, as amended (“ERISA”), and therefore to be exempt from the provisions of Parts 2, 3, and 4 of Title I ERISA. Accordingly, the Plan shall terminate and no further benefits shall be paid hereunder in the event it is determined by a court of competent jurisdiction or by an opinion of counsel that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA which is not so exempt.

9.2 Status as an Unsecured General Creditor and Rabbi Trust. Notwithstanding anything contained herein to the contrary: (i) the Executive shall have no legal or equitable rights, interests or claims in or to any specific property or assets of Employer as a result of this Agreement; (ii) none of the Employer’s assets shall be held in or under any trust for the benefit of the Executive or held in any way as security for the fulfillment of the obligations of the Employer under this Agreement; (iii) all of the Employer’s assets shall be and remain the general unpledged and unrestricted assets of the Employer; (iv) the Employer’s obligation under this Agreement shall be that of an unfunded and unsecured promise by the Employer to pay money in the future; and (v) the Executive shall be an unsecured general creditor with respect to any benefits which may be payable under the terms of this Agreement.

Notwithstanding subparagraphs (i) through (v) above, the Employer and the Executive acknowledge and agree that, in the event of a Change in Control, upon request of the Executive, or in the Employer’s discretion if the Executive does not so request and the Employer nonetheless deems it appropriate, the Employer shall establish, not later than the effective date of the Change in Control, a Rabbi Trust or multiple Rabbi Trusts (the “Trust” or “Trusts”) upon such terms and conditions as the Employer, in its sole discretion, deems appropriate and in compliance with applicable provisions of the Code, in order to permit the Employer to make contributions and/or transfer assets to the Trust or Trusts to discharge its obligations pursuant to this Agreement. The principal of the Trust or Trusts and any earnings thereon shall be held separate and apart from other funds of the Employer to be used exclusively for discharge of the Employer’s obligations pursuant to this Agreement and shall continue to be subject to the claims of the Employer’s general creditors until paid to the Executive in such manner and at such times as specified in this Agreement.

9.3 Non-assignability. Neither Executive nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and nontransferable. No part of the amount payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by Executive or any other person, nor be transferable by operation of law in the event of Executive’s or any other person’s bankruptcy or insolvency.

9.4 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between Employer and the Executive, and the Executive (or his beneficiary, if applicable) shall have no rights against Employer except as may otherwise be specifically provided herein. Moreover, nothing in this Plan shall be deemed to give Executive the right to be retained in the service of Employer or to interfere with the right of Employer to discipline or discharge him at any time.

9.5 Protective Provisions. Executive will cooperate with Employer by furnishing any and all information requested by Employer, in order to facilitate the payment of benefit hereunder, and by taking such physical examinations as Employer may deem necessary and taking such other action as may be requested by Employer.

9.6 Terms. Whenever any words are used herein in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or singular, as the case may be, in all cases where they would so apply.

9.7 Captions. The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

9.8 Governing Law. The provisions of this Plan shall be construed, interpreted, and governed in all respects in accordance with applicable federal law and, to the extent not preempted by such federal law, in accordance with the laws of the State of Washington.

9.9 Binding Effect/Merger or Reorganization. This Agreement shall be binding upon and inure to the benefit of the Executive and the Bank. Accordingly, the Bank shall not merge or consolidate into or with another corporation, or reorganize or sell substantially all of its assets to another corporation, firm or person, unless and until such succeeding or continuing corporation, firm or person agrees to assume and discharge the obligations of the Bank under this Agreement. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of Employer, and successors of any such corporation or other business entity.

9.10 Nonwaiver. The failure of either party to enforce at any time or for any period of time any one or more of the terms or conditions of this Agreement shall not be a waiver of such term(s) or condition(s) or of that party's right thereafter to enforce each and every term and condition of this Agreement.

9.11 Partial Invalidity/Severability. If any term, provision, covenant, or condition of this Agreement is determined by an arbitrator or a court, as the case may be, to be invalid, illegal, void, or unenforceable, then such term, provision, covenant, or condition shall be deemed ineffective and unenforceable and shall be deemed separable from the remaining provisions of this Agreement. Further, such determination shall not render any other term, provision, covenant illegal, void or unenforceable, and the remaining terms, provisions, covenants, and conditions of the Agreement shall remain in full force and effect notwithstanding such partial invalidity.

9.12 Entire Agreement. Each party to this Agreement acknowledges that no other representations, inducements, promises, or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not set forth herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding on either party. Executive and the Employer understand, acknowledge and agree that Executive and the Employer have entered into other agreements that contain either change-in-control terms or restrictive covenants, including without limitation a Change in Control Agreement. The parties understand, acknowledge and agree that the terms of this Agreement are not intended by Executive or the Employer, and shall not be interpreted by any party, court or arbitrator to, supersede, modify, amend, change, negate, cancel or render null or void any other change-in-control terms or restrictive covenants between the parties contained in any such other agreements (or any amendments or restatements thereof).

9.13 Modifications. Any modification of this Agreement shall be effective only if it is in writing and signed by each party or such party's authorized representative, and only to the extent that it is compliant with all applicable codes and statutes, including but not limited to IRC 409A.

9.14 Notice. Any notice required or permitted of either the Executive or the Bank under this Agreement shall be deemed to have been duly given, if by personal delivery, upon the date received by the party or its authorized representative; if by facsimile, upon transmission to a telephone number previously provided by the party to whom the facsimile is transmitted as reflected in the records of the party transmitting the facsimile and upon reasonable confirmation of such transmission; and if by mail, on the third day after mailing via U.S. first class mail, registered or certified, postage prepaid and return receipt requested, and addressed to the party at the address given below for the receipt of notices, or such changed address as may be requested in writing by a party.

If to the Bank: Columbia State Bank
 1301 A Street
 Tacoma, WA 98402
 Attention: Corporate Secretary/Cathleen Dent

If to the Executive:

9.15 IRS Section 280G Issues . If all or any portion of the amounts payable to the Executive under this Agreement, either alone or together with other payments which the Executive has the right to receive from Employer, constitute "excess parachute payments" within the meaning

of Section 280G of the Code that are subject to the excise tax imposed by Section 4999 of the Code (or similar tax and/or assessment), Executive shall be responsible for the payment of such excise tax and Employer (and its successor) shall be responsible for any loss of deductibility related thereto; provided, however, that Employer and Executive shall cooperate with each other and use all reasonable efforts to minimize to the fullest extent possible the amount of excise tax imposed by Section 4999 of the Code, but only to the extent that any agreement to minimize the impact of the Section 4999 excise tax shall comply in all respects with all applicable laws, including IRC 409A and regulations thereunder. If, at a later date, it is determined (pursuant to final regulations or published rulings of the Internal Revenue Service, final judgment of a court of competent jurisdiction, or otherwise) that the amount of excise taxes payable by the Executive is greater than the amount initially so determined, then Executive shall pay an amount equal to the sum of such additional excise taxes and any interest, fines and penalties resulting from such underpayment. The determination of the amount of any such excise taxes shall be made by the independent accounting firm employed by Employer immediately prior to the change in control or such other independent accounting firm or advisor as may be mutually agreeable to Employer and Executive in the exercise of their reasonable good faith judgment.

9.16 Opportunity To Consult With Independent Advisors. The Executive acknowledges that he has been afforded the opportunity to consult with independent advisors of his choosing including, without limitation, accountants or tax advisors and counsel regarding both the benefits granted to him under the terms of this Agreement and the (i) terms and conditions which may affect the Executive's right to these benefits and (ii) personal tax effects of such benefits including, without limitation, the effects of any federal or state taxes, Section 280G of the Code, and any other taxes, costs, expenses or liabilities whatsoever related to such benefits, which in any of the foregoing instances the Executive acknowledges and agrees shall be the sole responsibility of the Executive notwithstanding any other term or provision of this Agreement. The Executive further acknowledges and agrees that the Bank shall have no liability whatsoever related to any such personal tax effects or other personal costs, expenses, or liabilities applicable to the Executive and further specifically waives any right for himself or herself, and his or her heirs, beneficiaries, legal representatives, agents, successor and assign to claim or assert liability on the part of the Bank related to the matters described above in this paragraph. The Executive further acknowledges that he has read, understands and consents to all of the terms and conditions of this Agreement, and that he enters into this Agreement with a full understanding of its terms and conditions.

EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE HAS RECEIVED AND READ OR HAS HAD THE OPPORTUNITY TO READ THIS AGREEMENT, INCLUDING WITHOUT LIMITATION THE AGREEMENTS TO ARBITRATION OF DISPUTES UNDER PARAGRAPHS 6.6 AND 8.2. EXECUTIVE ACKNOWLEDGES AND UNDERSTANDS THAT THIS AGREEMENT TO ARBITRATION OF DISPUTES

REQUIRES THAT DISPUTES THAT INVOLVE THE MATTERS SUBJECT TO THE AGREEMENT BE SUBMITTED TO MEDIATION OR ARBITRATION PURSUANT TO THE ARBITRATION AGREEMENT RATHER THAN TO A JUDGE AND JURY IN COURT.

COLUMBIA STATE BANK

By: /s/ MELANIE J. DRESSEL

Date: February 27, 2015

Authorized Executive

Title: President and Chief Executive Officer

/s/ KUMI BARUFFI February 26, 2015

KUMI BARUFFI

Executive- Signature and Date

Print Name

EXHIBIT A
TO THE COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR KUMI BARUFFI

The following table is intended ONLY to demonstrate Executive's projected salary at various times and based on the assumptions below. This table does not address actual benefits to be paid based on the varying circumstances of Separation From Service, Change in Control, etc., or based on benefits being paid out prior to attainment of the Early Retirement Age, paid out as actuarial equivalent amounts or reduced by the Early Commencement Reduction Factor. In addition, this table does not address the limiting language contained in the definition of Target Benefit Amount, such that the Target Benefit Amount is defined as the 60% of the average of Executive's three highest years of Base Salary.

Columbia Bank - Kumi Baruffi SERP

Date of Separation from Service	Projected Salary (1)	Three Year Average	60% of Salary	Applicable Percentage	Adjusted Benefit (2)
September 1, 2014 thru August 31, 2015	\$225,000	\$225,000	\$135,000	0%	\$0
September 1, 2015 thru August 31, 2016	\$231,750	\$228,375	\$137,025	0%	\$0
September 1, 2016 thru August 31, 2017	\$238,703	\$231,818	\$139,091	0%	\$0
September 1, 2017 thru August 31, 2018	\$245,864	\$238,772	\$143,263	15%	\$21,489
September 1, 2018 thru August 31, 2019	\$253,239	\$245,935	\$147,561	20%	\$29,512
September 1, 2019 thru August 31, 2020	\$260,837	\$253,313	\$151,988	25%	\$37,997
September 1, 2020 thru August 31, 2021	\$268,662	\$260,913	\$156,548	30%	\$46,964
September 1, 2021 thru August 31, 2022	\$276,722	\$268,740	\$161,244	35%	\$56,435
September 1, 2022 thru August 31, 2023	\$285,023	\$276,802	\$166,081	40%	\$66,433
September 1, 2023 thru August 31, 2024	\$293,574	\$285,106	\$171,064	45%	\$76,979
September 1, 2024 thru August 31, 2025	\$302,381	\$293,659	\$176,196	50%	\$88,098
September 1, 2025 thru August 31, 2026	\$311,453	\$302,469	\$181,482	55%	\$99,815
September 1, 2026 thru August 31, 2027	\$320,796	\$311,543	\$186,926	60%	\$112,156
September 1, 2027 thru August 31, 2028	\$330,420	\$320,890	\$192,534	65%	\$125,147
September 1, 2028 thru August 31, 2029	\$340,333	\$330,516	\$198,310	70%	\$138,817
September 1, 2029 thru August 31, 2030	\$350,543	\$340,432	\$204,259	75%	\$153,194
September 1, 2030 thru August 31, 2031	\$361,059	\$350,645	\$210,387	80%	\$168,309
September 1, 2031 thru August 31, 2032	\$371,891	\$361,164	\$216,698	85%	\$184,194
September 1, 2032 thru August 31, 2033	\$383,047	\$371,999	\$223,199	90%	\$200,879
September 1, 2033 thru August 31, 2034	\$394,539	\$383,159	\$229,895	95%	\$218,401
September 1, 2034 thru August 31, 2035	\$406,375	\$394,654	\$236,792	100%	\$236,792
Separation From Service on September 1, 2035	\$418,566	\$406,493	\$243,896	100%	\$243,896

(1) Salary projected to grow annually at 3%.

(2) The above chart is intended for illustrative purposes only and does not reflect any Early Commencement Reduction Factor.

These figures are provided ONLY as an example of potential salary and benefit amounts. These numbers are provided for illustration purposes only and are in no way a guarantee of benefits or amounts.

The assumptions used to calculate these amounts will only be determined at the time benefits become due, and thus there can be no guarantee of salary or benefits at the time this agreement is put into place.

EXHIBIT B
TO THE COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR KUMI BARUFFI

DISTRIBUTION ELECTION FORM

Pursuant to the terms of the Supplemental Executive Compensation Agreement, by and between me, _____, and Columbia State Bank (hereinafter "Bank"), effective as of _____, 2015 ("Agreement"), I have been granted a supplemental compensation benefit. Terms which are "defined terms" in the Agreement shall have the same meaning within this Distribution Election Form.

I.

LIFETIME ANNUITY/JOINT AND SURVIVOR ANNUITY

Pursuant to IRC 409A, there are multiple restrictions and limitations regarding modifying the time and/or form of such payments; however an exception to these restrictions permits elections to change from a life annuity to another actuarially equivalent life annuity (prior to payments beginning).

In the event no alternate method is selected below, then amounts due under this Agreement shall be paid out as a single life annuity based on the life of the Executive. Subject to the forgoing and provided that payments have not yet begun, when the Executive Benefit is to be paid as a lifetime annuity, Executive may elect one of the following payment options:

Election of Actuarial Equivalent of Form of Benefit For Married Participant or Participant with Domestic Partner. Pursuant to the terms of the Agreement, and consistent with IRC 409A, instead of having my benefit paid as a single life annuity, with payments continuing until my death, I elect to have my benefit paid to me as designated below:

_____ A joint and survivor annuity with an actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse (registered domestic partner) in the same amount as the amount paid to me.

_____ A joint and survivor annuity in equal value to the actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to my surviving spouse (registered domestic partner) in one-half of the amount paid to me.

Acknowledgment of Limitations on Changes in Time and Form of Payment of Benefits. All Actuarially Equivalent valuations must be in compliance with IRC 409A and 1.409A-2(b)(2)(ii). In addition, when determining whether two life annuities are Actuarially Equivalent, the same actuarial assumptions and methods must be used in valuing each life annuity. This requirement

applies over the entire term of Executive’s participation in the Plan, such that the annuities must be actuarially equivalent at all times for the annuity options to be treated as one time and form of payment. However, provided the actuarial methods and assumptions are reasonable, there is no requirement that consistent actuarial assumptions and methods be used over the term of the Executive’s participation in the Plan. Accordingly, the Plan may change the actuarial assumptions and methods used to determine the life annuity payments, provided that all of the actuarial assumptions and methods are reasonable.

In the event, however, that a joint and survivor annuity option is selected, and that Executive’s spouse predeceases Executive, then for all payments made to Executive after the Executive’s spouse’s death, the amounts payable under this Agreement shall increase and be equal to the payment amounts Executive would have received under a single life annuity option. In addition, Executive shall no longer have the ability to make a new joint and survivor annuity election.

In the event no alternate method is selected, then amounts due under this Agreement shall be paid out as a single life annuity.

II.
CHANGE IN CONTROL
FOLLOWED WITHIN TWO (2) YEARS BY A SEPARATION FROM SERVICE

IRC 409A provides that a different time and form of payment may be designated with respect to a Separation From Service under certain conditions, one of which is a Separation From Service during a limited period of time not to exceed two years following a change in control event.

I am aware that the Agreement provides me with the option to timely elect to have any Executive Benefit owed to me to as a result of Separating From Service within two (2) years following a Change in Control as a lump sum amount, payable on the first (1st) day of the first (1st) month following Separation From Service. I understand that if I do not make such election below, any Executive Benefit due and owing will be paid pursuant to the terms of the Agreement and based on my age (and circumstances) at time of Separation From Service.

_____ I hereby elect to have any Executive Benefit due upon my Separation From Service within two (2) years following a Change in Control, paid in one (1) lump sum on the first (1st) day of the first (1st) month following Separation From Service.

EXECUTIVE:_____ Print Name: _____

Dated: __

EXHIBIT C
TO THE COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR KUMI BARUFFI

The following figures are provided ONLY as an example of potential benefit amounts in the event Executive Separates From Service at after attaining the Normal Retirement Age and on September 1, 2035:

Annual Payment Single Life Annuity Option (Executive's lifetime only): \$243,896 .

Election of the joint and survivor annuity with an actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse in the same amount as the amount paid to the Executive might result in an annual benefit of \$.

Election of the joint and survivor annuity in equal value to the actuarial equivalent of the benefit owing pursuant to the Agreement, with payment continued to the surviving spouse in one-half of the amount paid to Executive might result in an annual benefit of \$ paid to Executive during their lifetime, with a benefit of \$ being paid to Executive's spouse upon Executive's death.

THESE NUMBERS ARE PROVIDED FOR ILLUSTRATION PURPOSES ONLY AND ARE IN NO WAY A GUARANTEE OF BENEFITS OR AMOUNTS.

THE ASSUMPTIONS USED TO CALCULATE ACTUAL BENEFITS WILL ONLY BE DETERMINED AT THE TIME BENEFITS BECOME DUE, AND THUS THERE CAN BE NO GUARANTEE OF ANNUITY AMOUNTS AT THE TIME THIS AGREEMENT IS PUT INTO PLACE.

CERTIFICATION

I, Melanie J. Dressel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Columbia Banking System, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MELANIE J. DRESSEL

Melanie J. Dressel
President and Chief Executive Officer

Date: May 6, 2015

CERTIFICATION

I, Clint E. Stein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Columbia Banking System, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CLINT E. STEIN

Clint E. Stein
Executive Vice President and
Chief Financial Officer

Date: May 6, 2015

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Columbia Banking System, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Melanie J. Dressel, President and Chief Executive Officer, and Clint E. Stein, Executive Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MELANIE J. DRESSEL

Melanie J. Dressel
President and Chief Executive Officer
Columbia Banking System, Inc.

/s/ CLINT E. STEIN

Clint E. Stein
Executive Vice President and
Chief Financial Officer
Columbia Banking System, Inc.

Dated: May 6, 2015