



**FOR IMMEDIATE RELEASE**

**April 26, 2018**

**Columbia Banking System Announces First Quarter 2018 Results  
and Increased Quarterly Cash Dividend**

**Highlights**

- **First quarter net income of \$40.0 million; diluted earnings per share of \$0.55, which included \$0.04 per share negative impact from acquisition-related expenses**
- **Net interest margin of 4.22%, up 2 basis points from linked quarter**
- **Loan production for the quarter of \$264.3 million**
- **Pacific Continental core system conversion completed**

**TACOMA, Washington, April 26, 2018** -- Hadley Robbins, President and Chief Executive Officer of Columbia Banking System and Columbia Bank (NASDAQ: COLB) ("Columbia"), said today upon the release of Columbia's first quarter 2018 earnings, "Our first quarter 2018 loan production and line utilization reflected the seasonal pattern of being a low point in the year. In addition, earnings were impacted by \$4.3 million of acquisition-related expense and an elevated provision for loan losses of \$5.9 million." Mr. Robbins continued, "However, during the period, we crossed a significant milestone by completing the Pacific Continental core systems conversion and achieved a majority of the related cost saving initiatives. With the systems conversion behind us, we are well positioned to continue our focus on high quality earnings growth."

## **Balance Sheet**

Total assets at March 31, 2018 were \$12.53 billion, a decrease of \$186.3 million from December 31, 2017. Loans were \$8.34 billion, down \$19.0 million from December 31, 2017 as loan originations of \$264.3 million were offset by payments. Debt securities available for sale were \$2.62 billion at March 31, 2018, a decrease of \$113.7 million, or 4% from \$2.74 billion at December 31, 2017. Total deposits at March 31, 2018 were \$10.40 billion, a decrease of \$136.6 million from December 31, 2017. Core deposits comprised 95% of total deposits and were \$9.90 billion at March 31, 2018, a decrease of \$142.4 million from December 31, 2017. The average cost of total deposits for the quarter was 0.10%, an increase of 2 basis points from the fourth quarter of 2017.

## **Income Statement**

### **Net Interest Income**

Net interest income for the first quarter of 2018 was \$115.5 million, an increase of \$9.3 million from the linked quarter and an increase of \$28.8 million from the prior year period. The increase from both the linked quarter and prior year period was primarily due to income from earning assets acquired in the Pacific Continental transaction, which closed on November 1, 2017. For additional information regarding net interest income, see the “Net Interest Margin” section and the “Average Balances and Rates” table.

### **Noninterest Income**

Noninterest income was \$23.1 million for the first quarter of 2018, a decrease of \$438 thousand from the fourth quarter of 2018. The linked quarter decrease was principally due to lower card revenue partially offset by higher deposit account and treasury management fees. The lower card revenue reflects our change to net presentation of interchange revenue pursuant to the adoption of new revenue recognition accounting guidance on January 1, 2018. Specifically, \$1.3 million of payment card network expenses that would have historically been presented in other noninterest expense are now presented in card revenue. Compared to the first quarter of 2017, noninterest income decreased by \$1.7 million principally due to a prior year BOLI benefit of \$1.5 million recognized in other noninterest income.

## **Noninterest Expense**

Total noninterest expense for the first quarter of 2018 was \$86.0 million, an increase of \$360 thousand from the fourth quarter of 2017. After removing the effect of acquisition-related expenses, noninterest expense for the current quarter increased \$9.7 million from the linked quarter on the same basis. This increase was due to higher compensation and benefits as well as higher other noninterest expense. Compared to the first quarter of 2017, noninterest expense increased \$17.0 million. This increase was driven by \$2.9 million higher acquisition-related expenses in the current quarter as well as additional, ongoing expenses resulting from our November 1, 2017 acquisition of Pacific Continental.

## **Provision for Income Taxes**

Our effective tax rate for the current quarter was 14.6%, compared to 61.5% and 26.6% for the linked and prior year periods, respectively. The decrease from both periods was principally attributable to the enactment of the Tax Cuts and Jobs Act on December 22, 2017. Specifically, the linked period's effective tax rate included a \$12.2 million re-measurement charge so that our deferred tax assets at year-end 2017 reflected the new 21% corporate tax rate. The prior year period's effective tax rate reflected the then-enacted 35% corporate tax rate reduced by favorable tax attributes of certain earning assets and discrete tax benefits from share-based compensation.

Our effective tax rate remains below the statutory tax rate due to tax-exempt income from municipal securities, bank owned life insurance and certain loan receivables. In addition, the current period's rate reflects the tax benefit of discrete items such as share-based compensation. For 2018, we expect our effective tax rate to be approximately 19%.

## **Net Interest Margin**

Columbia's net interest margin (tax equivalent) for the first quarter of 2018 was 4.22%, an increase of 2 basis points from the linked quarter and prior year period. The increases were due to higher loan accretion income during the current quarter. Columbia's operating net interest margin (tax equivalent)<sup>(1)</sup> was 4.18% for the first quarter of 2018, a decline of 7 basis points from the linked quarter and an increase of 9 basis points from the prior year period. The decrease from the linked quarter was primarily due to a lower tax rate utilized for the tax equivalent components of our net interest income, which lowered the margin by 7 basis points. The increase from the prior year period was due to higher loan yields and volumes which more than offset the lower tax rates used in the current quarter.

The following table shows the impact to interest income resulting from income accretion on acquired loan portfolios as well as the net interest margin and operating net interest margin:

|                                                    | Three Months Ended            |                      |                       |                  |                   |
|----------------------------------------------------|-------------------------------|----------------------|-----------------------|------------------|-------------------|
|                                                    | March 31,<br>2018             | December 31,<br>2017 | September 30,<br>2017 | June 30,<br>2017 | March 31,<br>2017 |
|                                                    | <i>(dollars in thousands)</i> |                      |                       |                  |                   |
| Incremental accretion income due to:               |                               |                      |                       |                  |                   |
| FDIC purchased credit impaired loans               | \$ 329                        | \$ 265               | \$ 972                | \$ 753           | \$ 2,117          |
| Other acquired loans                               | 3,370                         | 2,482                | 1,903                 | 2,356            | 1,948             |
| Incremental accretion income                       | <u>\$ 3,699</u>               | <u>\$ 2,747</u>      | <u>\$ 2,875</u>       | <u>\$ 3,109</u>  | <u>\$ 4,065</u>   |
| Net interest margin (tax equivalent)               | 4.22%                         | 4.20%                | 4.20%                 | 4.12%            | 4.20%             |
| Operating net interest margin (tax equivalent) (1) | 4.18%                         | 4.25%                | 4.15%                 | 4.09%            | 4.09%             |

(1) Operating net interest margin (tax equivalent) is a non-GAAP financial measure. See the section titled “Non-GAAP Financial Measures” in this earnings release for the reconciliation of operating net interest margin (tax equivalent) to net interest margin.

### **Asset Quality**

At March 31, 2018, nonperforming assets to total assets were 0.72% compared to 0.63% at December 31, 2017. Total nonperforming assets increased \$10.5 million from the linked quarter due to a \$12.3 million increase in nonaccrual loans, partially offset by a decrease in other real estate owned.

Andy McDonald, Columbia’s Executive Vice President and Chief Credit Officer, commented, “The agricultural portfolio continues to impact our credit metrics and again was one of the drivers behind the increase in our provision and nonperforming loans for the first quarter. However, the weakness within this portfolio is centered in cattle and potatoes which collectively account for about \$127 million of loan balances at quarter end. The rest of our agricultural portfolio is performing consistent with our expectations with only 4% adversely classified.”

The following table sets forth information regarding nonaccrual loans and total nonperforming assets:

|                                                           | March 31, 2018        | December 31, 2017 |
|-----------------------------------------------------------|-----------------------|-------------------|
|                                                           | <i>(in thousands)</i> |                   |
| Nonaccrual loans:                                         |                       |                   |
| Commercial business                                       | \$ 57,619             | \$ 45,460         |
| Real estate:                                              |                       |                   |
| One-to-four family residential                            | 1,054                 | 785               |
| Commercial and multifamily residential                    | 14,539                | 13,941            |
| Total real estate                                         | 15,593                | 14,726            |
| Real estate construction:                                 |                       |                   |
| One-to-four family residential                            | 1,210                 | 1,854             |
| Total real estate construction                            | 1,210                 | 1,854             |
| Consumer                                                  | 4,042                 | 4,149             |
| Total nonaccrual loans                                    | 78,464                | 66,189            |
| Other real estate owned and other personal property owned | 11,507                | 13,298            |
| Total nonperforming assets                                | \$ 89,971             | \$ 79,487         |

The following table provides an analysis of the Company's allowance for loan and lease losses:

|                                                                 | Three Months Ended    |                   |                |
|-----------------------------------------------------------------|-----------------------|-------------------|----------------|
|                                                                 | March 31, 2018        | December 31, 2017 | March 31, 2017 |
|                                                                 | <i>(in thousands)</i> |                   |                |
| Beginning balance                                               | \$ 75,646             | \$ 71,616         | \$ 70,043      |
| Charge-offs:                                                    |                       |                   |                |
| Commercial business                                             | (2,477)               | (1,524)           | (1,127)        |
| One-to-four family residential real estate                      | —                     | —                 | (307)          |
| Commercial and multifamily residential real estate              | (223)                 | (287)             | —              |
| One-to-four family residential real estate construction         | —                     | —                 | (14)           |
| Consumer                                                        | (264)                 | (318)             | (428)          |
| Purchased credit impaired                                       | (1,343)               | (1,440)           | (1,939)        |
| Total charge-offs                                               | (4,307)               | (3,569)           | (3,815)        |
| Recoveries:                                                     |                       |                   |                |
| Commercial business                                             | 802                   | 839               | 365            |
| One-to-four family residential real estate                      | 172                   | 188               | 117            |
| Commercial and multifamily residential real estate              | 159                   | 412               | 78             |
| One-to-four family residential real estate construction         | 19                    | 71                | 29             |
| Commercial and multifamily residential real estate construction | —                     | 1                 | —              |
| Consumer                                                        | 260                   | 311               | 285            |
| Purchased credit impaired                                       | 1,224                 | 2,450             | 1,144          |
| Total recoveries                                                | 2,636                 | 4,272             | 2,018          |
| Net recoveries (charge-offs)                                    | (1,671)               | 703               | (1,797)        |
| Provision for loan and lease losses                             | 5,852                 | 3,327             | 2,775          |
| Ending balance                                                  | \$ 79,827             | \$ 75,646         | \$ 71,021      |

The allowance for loan losses to period end loans was 0.96% at March 31, 2018 compared to 0.91% at December 31, 2017. For the first quarter of 2018, Columbia recorded a net provision for loan and lease losses of \$5.9 million compared to a net provision of \$3.3 million for the linked quarter and a

net provision of \$2.8 million for the comparable quarter last year. The net provision for loan and lease losses recorded during the current quarter consisted of \$7.0 million of provision for loan losses for loans, excluding PCI loans and a provision recapture of \$1.1 million for PCI loans.

### **Cash Dividend Announcement**

Columbia will pay a regular cash dividend of \$0.26 per common share on May 23, 2018 to shareholders of record as of the close of business on May 9, 2018. Clint Stein, Columbia's Executive Vice President, Chief Operating Officer and Chief Financial Officer, commented, "With the passage of tax reform at the end of 2017, we made a commitment to allocate the benefits of a reduced tax burden amongst our employees, communities and shareholders so that all of our stakeholders benefit directly. Our 18% increase in the dividend this quarter reflects a market level payout of the additional capital generated by the reduced tax burden."

### **Conference Call Information**

Columbia's management will discuss the first quarter 2018 financial results on a conference call scheduled for Thursday, April 26, 2018 at 1:00 p.m. Pacific Time (4:00 p.m. ET). Interested parties may join the live-streamed event by using the site:

<https://engage.vevent.com/rt/columbiabankingsysteminc~042618>

The conference call can also be accessed on Thursday, April 26, 2018 at 1:00 p.m. Pacific Time (4:00 p.m. ET) by calling 888-286-8956; Conference ID code #8285707.

A replay of the call can be accessed beginning Friday, April 27, 2018 using the site:

<https://engage.vevent.com/rt/columbiabankingsysteminc~042618>

### **About Columbia**

Headquartered in Tacoma, Washington, Columbia Banking System, Inc. is the holding company of Columbia Bank, a Washington state-chartered full-service commercial bank with locations throughout Washington, Oregon and Idaho. For the eleventh consecutive year, the bank was named in 2017 as one of *Puget Sound Business Journal's* "Washington's Best Workplaces." Columbia ranked eleventh on the 2018 *Forbes* list of best banks.

More information about Columbia can be found on its website at [www.columbiabank.com](http://www.columbiabank.com).

### **Note Regarding Forward-Looking Statements**

This news release includes 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, descriptions of Columbia's management's expectations regarding future events and developments such as future operating results, growth in loans and deposits, continued success of Columbia's style of banking and the strength of the local economy. The words "will," "believe," "expect," "intend," "should," and "anticipate" or the negative of these words or words of similar construction are intended in part to help identify forward looking statements. Future events are difficult to predict, and the expectations described above are necessarily subject to risks and uncertainties, many of which are outside our control, that may cause actual results to differ materially and adversely. In addition to discussions about risks and uncertainties set forth from time to time in Columbia's filings with the Securities and Exchange Commission, available at the SEC's website at [www.sec.gov](http://www.sec.gov) and the Company's website at [www.columbiabank.com](http://www.columbiabank.com), including the "Risk Factors," "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of our annual reports on Form 10-K and quarterly reports on Form 10-Q, (as applicable), factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following: (1) local, national and international economic conditions may be less favorable than expected or have a more direct and pronounced effect on Columbia than expected and adversely affect Columbia's ability to continue its internal growth at historical rates and maintain the quality of its earning assets; (2) changes in interest rates could significantly reduce net interest income and negatively affect funding sources; (3) projected business increases following strategic expansion or opening or acquiring new branches may be lower than expected; (4) costs or difficulties related to the integration of acquisitions, including the acquisition of Pacific Continental, may be greater than expected; (5) competitive pressure among financial institutions may increase significantly; and (6) legislation or regulatory requirements or changes may adversely affect the businesses in which Columbia is engaged. We believe the expectations reflected in our forward-looking statements are reasonable, based on information available to us on the date hereof. However, 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 which speak only as of the date hereof. 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 by the federal securities laws. The factors noted above and the risks and uncertainties described in our SEC filings should be considered when reading any forward-looking statements in this release.

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Chief Financial Officer

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**CONSOLIDATED BALANCE SHEETS****Columbia Banking System, Inc.***Unaudited*

| March 31,             | December 31, |
|-----------------------|--------------|
| 2018                  | 2017 (1)     |
| <i>(in thousands)</i> |              |

**ASSETS**

|                                                      |                      |                      |
|------------------------------------------------------|----------------------|----------------------|
| Cash and due from banks                              | \$ 206,532           | \$ 244,615           |
| Interest-earning deposits with banks                 | 87,124               | 97,918               |
| Total cash and cash equivalents                      | 293,656              | 342,533              |
| Debt securities available for sale at fair value (1) | 2,624,045            | 2,737,751            |
| Equity securities at fair value (1)                  | 5,000                | 5,080                |
| Federal Home Loan Bank ("FHLB") stock at cost        | 11,640               | 10,440               |
| Loans held for sale                                  | 4,312                | 5,766                |
| Loans, net of unearned income                        | 8,339,631            | 8,358,657            |
| Less: allowance for loan and lease losses            | 79,827               | 75,646               |
| Loans, net                                           | 8,259,804            | 8,283,011            |
| Interest receivable                                  | 41,795               | 40,881               |
| Premises and equipment, net                          | 168,366              | 169,490              |
| Other real estate owned                              | 11,507               | 13,298               |
| Goodwill                                             | 765,842              | 765,842              |
| Other intangible assets, net                         | 54,985               | 58,173               |
| Other assets                                         | 289,684              | 284,621              |
| Total assets                                         | <u>\$ 12,530,636</u> | <u>\$ 12,716,886</u> |

**LIABILITIES AND SHAREHOLDERS' EQUITY**

|                                                |              |              |
|------------------------------------------------|--------------|--------------|
| Deposits:                                      |              |              |
| Noninterest-bearing                            | \$ 4,927,226 | \$ 5,081,901 |
| Interest-bearing                               | 5,468,297    | 5,450,184    |
| Total deposits                                 | 10,395,523   | 10,532,085   |
| FHLB advances                                  | 41,564       | 11,579       |
| Securities sold under agreements to repurchase | 24,247       | 79,059       |
| Subordinated debentures                        | 35,601       | 35,647       |
| Junior subordinated debentures                 | —            | 8,248        |
| Other liabilities                              | 85,778       | 100,346      |
| Total liabilities                              | 10,582,713   | 10,766,964   |
| Commitments and contingent liabilities         |              |              |

| March 31,             | December 31, |
|-----------------------|--------------|
| 2018                  | 2017         |
| <i>(in thousands)</i> |              |

|                                            |                      |                      |
|--------------------------------------------|----------------------|----------------------|
| Common stock (no par value)                |                      |                      |
| Authorized shares                          | 115,000              | 115,000              |
| Issued and outstanding                     | 73,240               | 73,020               |
| Retained earnings                          | 361,140              | 337,442              |
| Accumulated other comprehensive loss       | (48,133)             | (22,225)             |
| Total shareholders' equity                 | 1,947,923            | 1,949,922            |
| Total liabilities and shareholders' equity | <u>\$ 12,530,636</u> | <u>\$ 12,716,886</u> |

(1) Reclassified to conform to current period presentation. The reclassification was limited to adding a separate line item for equity securities at fair value, which were previously included in securities available for sale at fair value.

**CONSOLIDATED STATEMENTS OF INCOME**
**Columbia Banking System, Inc.**
*Unaudited*

|                                                               | Three Months Ended                     |                      |                   |
|---------------------------------------------------------------|----------------------------------------|----------------------|-------------------|
|                                                               | March 31,<br>2018                      | December 31,<br>2017 | March 31,<br>2017 |
|                                                               | <i>(in thousands except per share)</i> |                      |                   |
| <b>Interest Income</b>                                        |                                        |                      |                   |
| Loans                                                         | \$ 103,027                             | \$ 95,889            | \$ 74,120         |
| Taxable securities                                            | 12,708                                 | 9,487                | 10,986            |
| Tax-exempt securities                                         | 3,064                                  | 2,920                | 2,691             |
| Deposits in banks                                             | 345                                    | 545                  | 19                |
| Total interest income                                         | 119,144                                | 108,841              | 87,816            |
| <b>Interest Expense</b>                                       |                                        |                      |                   |
| Deposits                                                      | 2,509                                  | 2,022                | 787               |
| FHLB advances                                                 | 570                                    | 99                   | 225               |
| Subordinated debentures                                       | 468                                    | 304                  | —                 |
| Other borrowings                                              | 116                                    | 192                  | 129               |
| Total interest expense                                        | 3,663                                  | 2,617                | 1,141             |
| <b>Net Interest Income</b>                                    | 115,481                                | 106,224              | 86,675            |
| Provision for loan and lease losses                           | 5,852                                  | 3,327                | 2,775             |
| Net interest income after provision for loan and lease losses | 109,629                                | 102,897              | 83,900            |
| <b>Noninterest Income</b>                                     |                                        |                      |                   |
| Deposit account and treasury management fees                  | 8,740                                  | 8,013                | 7,287             |
| Card revenue                                                  | 5,813                                  | 6,967                | 5,723             |
| Financial services and trust revenue                          | 2,730                                  | 2,958                | 2,839             |
| Loan revenue                                                  | 3,186                                  | 2,663                | 3,593             |
| Merchant processing revenue                                   | —                                      | —                    | 2,019             |
| Bank owned life insurance                                     | 1,426                                  | 1,377                | 1,280             |
| Investment securities gains (losses), net                     | 22                                     | (11)                 | —                 |
| Change in FDIC loss-sharing asset                             | —                                      | —                    | (274)             |
| Other                                                         | 1,226                                  | 1,614                | 2,392             |
| Total noninterest income                                      | 23,143                                 | 23,581               | 24,859            |
| <b>Noninterest Expense</b>                                    |                                        |                      |                   |
| Compensation and employee benefits                            | 50,570                                 | 50,473               | 40,825            |
| Occupancy                                                     | 10,121                                 | 9,554                | 7,191             |
| Merchant processing expense                                   | —                                      | —                    | 1,049             |
| Advertising and promotion                                     | 1,429                                  | 1,543                | 817               |
| Data processing                                               | 5,270                                  | 5,134                | 4,208             |
| Legal and professional fees                                   | 3,237                                  | 5,955                | 3,369             |
| Taxes, licenses and fees                                      | 1,425                                  | 1,279                | 1,241             |
| Regulatory premiums                                           | 937                                    | 884                  | 776               |
| Net cost of operation of other real estate owned              | 1                                      | 46                   | 152               |
| Amortization of intangibles                                   | 3,188                                  | 2,547                | 1,349             |
| Other                                                         | 9,809                                  | 8,212                | 8,009             |
| Total noninterest expense                                     | 85,987                                 | 85,627               | 68,986            |
| Income before income taxes                                    | 46,785                                 | 40,851               | 39,773            |
| Provision for income taxes                                    | 6,815                                  | 25,123               | 10,574            |
| <b>Net Income</b>                                             | \$ 39,970                              | \$ 15,728            | \$ 29,199         |
| Earnings per common share                                     |                                        |                      |                   |
| Basic                                                         | \$ 0.55                                | \$ 0.23              | \$ 0.50           |
| Diluted                                                       | \$ 0.55                                | \$ 0.23              | \$ 0.50           |
| Dividends paid per common share                               | \$ 0.22                                | \$ 0.22              | \$ 0.22           |
| Weighted average number of common shares outstanding          | 72,300                                 | 67,120               | 57,388            |
| Weighted average number of diluted common shares outstanding  | 72,305                                 | 67,125               | 57,394            |

# FINANCIAL STATISTICS

## Columbia Banking System, Inc.

Unaudited

### Three Months Ended

#### Earnings

|                                                               |
|---------------------------------------------------------------|
| Net interest income                                           |
| Provision for loan and lease losses                           |
| Noninterest income                                            |
| Noninterest expense                                           |
| Acquisition-related expense (included in noninterest expense) |
| Net income                                                    |

| March 31,<br>2018 | December 31,<br>2017 | March 31,<br>2017 |
|-------------------|----------------------|-------------------|
|-------------------|----------------------|-------------------|

(dollars in thousands except per share amounts)

|            |            |           |
|------------|------------|-----------|
| \$ 115,481 | \$ 106,224 | \$ 86,675 |
| \$ 5,852   | \$ 3,327   | \$ 2,775  |
| \$ 23,143  | \$ 23,581  | \$ 24,859 |
| \$ 85,987  | \$ 85,627  | \$ 68,986 |
| \$ 4,265   | \$ 13,638  | \$ 1,364  |
| \$ 39,970  | \$ 15,728  | \$ 29,199 |

#### Per Common Share

|                    |
|--------------------|
| Earnings (basic)   |
| Earnings (diluted) |
| Book value         |

|          |          |          |
|----------|----------|----------|
| \$ 0.55  | \$ 0.23  | \$ 0.50  |
| \$ 0.55  | \$ 0.23  | \$ 0.50  |
| \$ 26.60 | \$ 26.70 | \$ 21.86 |

#### Averages

|                                                        |
|--------------------------------------------------------|
| Total assets                                           |
| Interest-earning assets                                |
| Loans                                                  |
| Securities, including equity securities and FHLB stock |
| Deposits                                               |
| Interest-bearing deposits                              |
| Interest-bearing liabilities                           |
| Noninterest-bearing deposits                           |
| Shareholders' equity                                   |

|               |               |              |
|---------------|---------------|--------------|
| \$ 12,603,144 | \$ 11,751,049 | \$ 9,473,698 |
| \$ 11,122,753 | \$ 10,453,097 | \$ 8,520,291 |
| \$ 8,348,740  | \$ 7,749,420  | \$ 6,198,215 |
| \$ 2,682,250  | \$ 2,539,321  | \$ 2,310,490 |
| \$ 10,334,480 | \$ 9,804,456  | \$ 7,954,653 |
| \$ 5,405,730  | \$ 5,033,980  | \$ 4,118,604 |
| \$ 5,627,853  | \$ 5,127,100  | \$ 4,263,660 |
| \$ 4,928,750  | \$ 4,770,476  | \$ 3,836,049 |
| \$ 1,949,275  | \$ 1,754,745  | \$ 1,261,652 |

#### Financial Ratios

|                                                 |
|-------------------------------------------------|
| Return on average assets                        |
| Return on average common equity                 |
| Average equity to average assets                |
| Net interest margin (tax equivalent)            |
| Efficiency ratio (tax equivalent) (1)           |
| Operating efficiency ratio (tax equivalent) (2) |
| Noninterest expense ratio                       |
| Core noninterest expense ratio (2)              |

|        |        |         |
|--------|--------|---------|
| 1.27%  | 0.54%  | 1.23 %  |
| 8.20%  | 3.59%  | 9.26 %  |
| 15.47% | 14.93% | 13.32 % |
| 4.22%  | 4.20%  | 4.20 %  |
| 61.04% | 63.93% | 59.95 % |
| 57.59% | 52.24% | 59.07 % |
| 2.73%  | 2.91%  | 2.91 %  |
| 2.59%  | 2.45%  | 2.85 %  |

#### Period end

|                                                        |
|--------------------------------------------------------|
| Total assets                                           |
| Loans, net of unearned income                          |
| Allowance for loan and lease losses                    |
| Securities, including equity securities and FHLB stock |
| Deposits                                               |
| Core deposits                                          |
| Shareholders' equity                                   |

| March 31,<br>2018 | December 31,<br>2017 |
|-------------------|----------------------|
|-------------------|----------------------|

|               |               |
|---------------|---------------|
| \$ 12,530,636 | \$ 12,716,886 |
| \$ 8,339,631  | \$ 8,358,657  |
| \$ 79,827     | \$ 75,646     |
| \$ 2,640,685  | \$ 2,753,271  |
| \$ 10,395,523 | \$ 10,532,085 |
| \$ 9,897,185  | \$ 10,039,557 |
| \$ 1,947,923  | \$ 1,949,922  |

#### Nonperforming assets

|                                                                             |
|-----------------------------------------------------------------------------|
| Nonaccrual loans                                                            |
| Other real estate owned ("OREO") and other personal property owned ("OPPO") |
| Total nonperforming assets                                                  |

|           |           |
|-----------|-----------|
| \$ 78,464 | \$ 66,189 |
| 11,507    | 13,298    |
| \$ 89,971 | \$ 79,487 |

|                                                         |
|---------------------------------------------------------|
| Nonperforming loans to period-end loans                 |
| Nonperforming assets to period-end assets               |
| Allowance for loan and lease losses to period-end loans |
| Net loan charge-offs (recoveries)                       |

|              |              |
|--------------|--------------|
| 0.94%        | 0.79%        |
| 0.72%        | 0.63%        |
| 0.96%        | 0.91%        |
| \$ 1,671 (3) | \$ (703) (4) |

(1) Noninterest expense divided by the sum of net interest income on a tax equivalent basis and noninterest income on a tax equivalent basis.

(2) The operating efficiency ratio (tax equivalent) and core noninterest expense ratio are non-GAAP financial measures. See section titled "Non-GAAP Financial Measures" on the last two pages of this earnings release for the reconciliations of the operating efficiency ratio (tax equivalent) to the efficiency ratio (tax equivalent) and the reconciliation of the noninterest expense ratio to the core noninterest expense ratio.

(3) For the three months ended March 31, 2018.

(4) For the three months ended December 31, 2017.

**QUARTERLY FINANCIAL STATISTICS**
**Columbia Banking System, Inc.**
*Unaudited*

| Columbia Banking System, Inc.                                 |    | Three Months Ended                      |                      |                       |                  |                   |
|---------------------------------------------------------------|----|-----------------------------------------|----------------------|-----------------------|------------------|-------------------|
|                                                               |    | March 31,<br>2018                       | December 31,<br>2017 | September 30,<br>2017 | June 30,<br>2017 | March 31,<br>2017 |
| Unaudited                                                     |    | (dollars in thousands except per share) |                      |                       |                  |                   |
| <b>Earnings</b>                                               |    |                                         |                      |                       |                  |                   |
| Net interest income                                           | \$ | 115,481                                 | \$ 106,224           | \$ 88,929             | \$ 86,161        | \$ 86,675         |
| Provision (recapture) for loan and lease losses               | \$ | 5,852                                   | \$ 3,327             | \$ (648)              | \$ 3,177         | \$ 2,775          |
| Noninterest income                                            | \$ | 23,143                                  | \$ 23,581            | \$ 37,067             | \$ 24,135        | \$ 24,859         |
| Noninterest expense                                           | \$ | 85,987                                  | \$ 85,627            | \$ 67,537             | \$ 68,867        | \$ 68,986         |
| Acquisition-related expense (included in noninterest expense) | \$ | 4,265                                   | \$ 13,638            | \$ 1,171              | \$ 1,023         | \$ 1,364          |
| Net income                                                    | \$ | 39,970                                  | \$ 15,728            | \$ 40,769             | \$ 27,132        | \$ 29,199         |
| <b>Per Common Share</b>                                       |    |                                         |                      |                       |                  |                   |
| Earnings (basic)                                              | \$ | 0.55                                    | \$ 0.23              | \$ 0.70               | \$ 0.47          | \$ 0.50           |
| Earnings (diluted)                                            | \$ | 0.55                                    | \$ 0.23              | \$ 0.70               | \$ 0.47          | \$ 0.50           |
| Book value                                                    | \$ | 26.60                                   | \$ 26.70             | \$ 22.76              | \$ 22.23         | \$ 21.86          |
| <b>Averages</b>                                               |    |                                         |                      |                       |                  |                   |
| Total assets                                                  | \$ | 12,603,144                              | \$ 11,751,049        | \$ 9,695,005          | \$ 9,597,274     | \$ 9,473,698      |
| Interest-earning assets                                       | \$ | 11,122,753                              | \$ 10,453,097        | \$ 8,750,561          | \$ 8,651,735     | \$ 8,520,291      |
| Loans                                                         | \$ | 8,348,740                               | \$ 7,749,420         | \$ 6,441,537          | \$ 6,325,462     | \$ 6,198,215      |
| Securities, including equity securities and FHLB stock        | \$ | 2,682,250                               | \$ 2,539,321         | \$ 2,236,235          | \$ 2,316,077     | \$ 2,310,490      |
| Deposits                                                      | \$ | 10,334,480                              | \$ 9,804,456         | \$ 8,187,337          | \$ 7,965,868     | \$ 7,954,653      |
| Interest-bearing deposits                                     | \$ | 5,405,730                               | \$ 5,033,980         | \$ 4,200,580          | \$ 4,123,135     | \$ 4,118,604      |
| Interest-bearing liabilities                                  | \$ | 5,627,853                               | \$ 5,127,100         | \$ 4,285,936          | \$ 4,367,216     | \$ 4,263,660      |
| Noninterest-bearing deposits                                  | \$ | 4,928,750                               | \$ 4,770,476         | \$ 3,986,757          | \$ 3,842,733     | \$ 3,836,049      |
| Shareholders' equity                                          | \$ | 1,949,275                               | \$ 1,754,745         | \$ 1,323,794          | \$ 1,295,564     | \$ 1,261,652      |
| <b>Financial Ratios</b>                                       |    |                                         |                      |                       |                  |                   |
| Return on average assets                                      |    | 1.27%                                   | 0.54%                | 1.68%                 | 1.13%            | 1.23%             |
| Return on average common equity                               |    | 8.20%                                   | 3.59%                | 12.32%                | 8.38%            | 9.26%             |
| Average equity to average assets                              |    | 15.47%                                  | 14.93%               | 13.65%                | 13.50%           | 13.32%            |
| Net interest margin (tax equivalent)                          |    | 4.22%                                   | 4.20%                | 4.20%                 | 4.12%            | 4.20%             |
| <b>Period end</b>                                             |    |                                         |                      |                       |                  |                   |
| Total assets                                                  | \$ | 12,530,636                              | \$ 12,716,886        | \$ 9,814,578          | \$ 9,685,110     | \$ 9,527,272      |
| Loans, net of unearned income                                 | \$ | 8,339,631                               | \$ 8,358,657         | \$ 6,512,006          | \$ 6,423,074     | \$ 6,228,136      |
| Allowance for loan and lease losses                           | \$ | 79,827                                  | \$ 75,646            | \$ 71,616             | \$ 72,984        | \$ 71,021         |
| Securities, including equity securities and FHLB stock        | \$ | 2,640,685                               | \$ 2,753,271         | \$ 2,218,113          | \$ 2,280,996     | \$ 2,341,959      |
| Deposits                                                      | \$ | 10,395,523                              | \$ 10,532,085        | \$ 8,341,717          | \$ 8,072,464     | \$ 8,088,827      |
| Core deposits                                                 | \$ | 9,897,185                               | \$ 10,039,557        | \$ 7,999,499          | \$ 7,721,766     | \$ 7,794,590      |
| Shareholders' equity                                          | \$ | 1,947,923                               | \$ 1,949,922         | \$ 1,328,428          | \$ 1,297,314     | \$ 1,275,343      |
| <b>Nonperforming assets</b>                                   |    |                                         |                      |                       |                  |                   |
| Nonaccrual loans                                              | \$ | 78,464                                  | \$ 66,189            | \$ 40,317             | \$ 36,824        | \$ 25,547         |
| OREO and OPPO                                                 |    | 11,507                                  | 13,298               | 3,682                 | 4,058            | 4,519             |
| Total nonperforming assets                                    | \$ | 89,971                                  | \$ 79,487            | \$ 43,999             | \$ 40,882        | \$ 30,066         |
| Nonperforming loans to period-end loans                       |    | 0.94%                                   | 0.79%                | 0.62%                 | 0.57%            | 0.41%             |
| Nonperforming assets to period-end assets                     |    | 0.72%                                   | 0.63%                | 0.45%                 | 0.42%            | 0.32%             |
| Allowance for loan and lease losses to period-end loans       |    | 0.96%                                   | 0.91%                | 1.10%                 | 1.14%            | 1.14%             |
| Net loan charge-offs (recoveries)                             | \$ | 1,671                                   | \$ (703)             | \$ 720                | \$ 1,214         | \$ 1,797          |

# **LOAN PORTFOLIO COMPOSITION**

**Columbia Banking System, Inc.**

*Unaudited*

## **Loan Portfolio Composition - Dollars**

|                                           | <b>March 31,<br/>2018</b>     | <b>December 31,<br/>2017</b> | <b>September 30,<br/>2017</b> | <b>June 30,<br/>2017</b> | <b>March 31,<br/>2017</b> |
|-------------------------------------------|-------------------------------|------------------------------|-------------------------------|--------------------------|---------------------------|
|                                           | <i>(dollars in thousands)</i> |                              |                               |                          |                           |
| Commercial business                       | \$ 3,402,162                  | \$ 3,377,324                 | \$ 2,735,206                  | \$ 2,704,468             | \$ 2,559,247              |
| Real estate:                              |                               |                              |                               |                          |                           |
| One-to-four family residential            | 182,302                       | 188,396                      | 176,487                       | 173,150                  | 172,581                   |
| Commercial and multifamily residential    | 3,776,709                     | 3,825,739                    | 2,825,794                     | 2,787,560                | 2,783,433                 |
| Total real estate                         | 3,959,011                     | 4,014,135                    | 3,002,281                     | 2,960,710                | 2,956,014                 |
| Real estate construction:                 |                               |                              |                               |                          |                           |
| One-to-four family residential            | 208,441                       | 200,518                      | 145,419                       | 139,956                  | 115,219                   |
| Commercial and multifamily residential    | 385,339                       | 371,931                      | 213,939                       | 195,565                  | 172,896                   |
| Total real estate construction            | 593,780                       | 572,449                      | 359,358                       | 335,521                  | 288,115                   |
| Consumer                                  | 323,631                       | 334,190                      | 323,913                       | 323,187                  | 318,069                   |
| Purchased credit impaired                 | 109,299                       | 112,670                      | 120,477                       | 129,853                  | 138,903                   |
| Subtotal loans                            | 8,387,883                     | 8,410,768                    | 6,541,235                     | 6,453,739                | 6,260,348                 |
| Less: Net unearned income                 | (48,252)                      | (52,111)                     | (29,229)                      | (30,665)                 | (32,212)                  |
| Loans, net of unearned income             | 8,339,631                     | 8,358,657                    | 6,512,006                     | 6,423,074                | 6,228,136                 |
| Less: Allowance for loan and lease losses | (79,827)                      | (75,646)                     | (71,616)                      | (72,984)                 | (71,021)                  |
| Total loans, net                          | 8,259,804                     | 8,283,011                    | 6,440,390                     | 6,350,090                | 6,157,115                 |
| Loans held for sale                       | \$ 4,312                      | \$ 5,766                     | \$ 7,802                      | \$ 6,918                 | \$ 3,245                  |

## **Loan Portfolio Composition - Percentages**

|                                        | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> | <b>September 30,<br/>2017</b> | <b>June 30,<br/>2017</b> | <b>March 31,<br/>2017</b> |
|----------------------------------------|---------------------------|------------------------------|-------------------------------|--------------------------|---------------------------|
| Commercial business                    | 40.8 %                    | 40.4 %                       | 42.0 %                        | 42.1 %                   | 41.1 %                    |
| Real estate:                           |                           |                              |                               |                          |                           |
| One-to-four family residential         | 2.2 %                     | 2.3 %                        | 2.7 %                         | 2.7 %                    | 2.8 %                     |
| Commercial and multifamily residential | 45.3 %                    | 45.8 %                       | 43.3 %                        | 43.5 %                   | 44.7 %                    |
| Total real estate                      | 47.5 %                    | 48.1 %                       | 46.0 %                        | 46.2 %                   | 47.5 %                    |
| Real estate construction:              |                           |                              |                               |                          |                           |
| One-to-four family residential         | 2.5 %                     | 2.4 %                        | 2.2 %                         | 2.2 %                    | 1.8 %                     |
| Commercial and multifamily residential | 4.6 %                     | 4.4 %                        | 3.3 %                         | 3.0 %                    | 2.8 %                     |
| Total real estate construction         | 7.1 %                     | 6.8 %                        | 5.5 %                         | 5.2 %                    | 4.6 %                     |
| Consumer                               | 3.9 %                     | 4.0 %                        | 5.0 %                         | 5.0 %                    | 5.1 %                     |
| Purchased credit impaired              | 1.3 %                     | 1.3 %                        | 1.9 %                         | 2.0 %                    | 2.2 %                     |
| Subtotal loans                         | 100.6 %                   | 100.6 %                      | 100.4 %                       | 100.5 %                  | 100.5 %                   |
| Less: Net unearned income              | (0.6)%                    | (0.6)%                       | (0.4)%                        | (0.5)%                   | (0.5)%                    |
| Loans, net of unearned income          | 100.0 %                   | 100.0 %                      | 100.0 %                       | 100.0 %                  | 100.0 %                   |

**DEPOSIT COMPOSITION****Columbia Banking System, Inc.**

Unaudited

|                                                                             | <b>March 31,<br/>2018</b>     | <b>December 31,<br/>2017</b> | <b>September 30,<br/>2017</b> | <b>June 30,<br/>2017</b> | <b>March 31,<br/>2017</b> |
|-----------------------------------------------------------------------------|-------------------------------|------------------------------|-------------------------------|--------------------------|---------------------------|
| <b><u>Deposit Composition - Dollars</u></b>                                 | <b>(dollars in thousands)</b> |                              |                               |                          |                           |
| Core deposits:                                                              |                               |                              |                               |                          |                           |
| Demand and other non-interest bearing                                       | \$ 4,927,226                  | \$ 5,081,901                 | \$ 4,119,950                  | \$ 3,905,652             | \$ 3,958,106              |
| Interest bearing demand                                                     | 1,328,756                     | 1,265,212                    | 1,009,378                     | 988,532                  | 985,954                   |
| Money market                                                                | 2,477,487                     | 2,543,712                    | 1,821,262                     | 1,787,101                | 1,798,034                 |
| Savings                                                                     | 886,171                       | 861,941                      | 772,858                       | 756,825                  | 759,002                   |
| Certificates of deposit, less than \$250,000                                | 277,545                       | 286,791                      | 276,051                       | 283,656                  | 293,494                   |
| Total core deposits                                                         | 9,897,185                     | 10,039,557                   | 7,999,499                     | 7,721,766                | 7,794,590                 |
| Certificates of deposit, \$250,000 or more                                  | 96,333                        | 100,399                      | 84,105                        | 81,861                   | 74,460                    |
| Certificates of deposit insured by CDARS®                                   | 23,191                        | 25,374                       | 20,690                        | 19,276                   | 20,994                    |
| Other brokered certificates of deposit                                      | 76,931                        | 78,481                       | —                             | —                        | —                         |
| Brokered money market accounts                                              | 302,544                       | 289,031                      | 237,421                       | 249,554                  | 198,768                   |
| Subtotal                                                                    | 10,396,184                    | 10,532,842                   | 8,341,715                     | 8,072,457                | 8,088,812                 |
| Premium (discount) resulting from acquisition<br>date fair value adjustment | (661)                         | (757)                        | 2                             | 7                        | 15                        |
| Total deposits                                                              | \$ 10,395,523                 | \$ 10,532,085                | \$ 8,341,717                  | \$ 8,072,464             | \$ 8,088,827              |
| <b><u>Deposit Composition - Percentages</u></b>                             | <b>March 31,<br/>2018</b>     | <b>December 31,<br/>2017</b> | <b>September 30,<br/>2017</b> | <b>June 30,<br/>2017</b> | <b>March 31,<br/>2017</b> |
| Core deposits:                                                              |                               |                              |                               |                          |                           |
| Demand and other non-interest bearing                                       | 47.4%                         | 48.2%                        | 49.4%                         | 48.4%                    | 48.9%                     |
| Interest bearing demand                                                     | 12.8%                         | 12.0%                        | 12.1%                         | 12.2%                    | 12.2%                     |
| Money market                                                                | 23.8%                         | 24.2%                        | 21.8%                         | 22.1%                    | 22.2%                     |
| Savings                                                                     | 8.5%                          | 8.2%                         | 9.3%                          | 9.4%                     | 9.4%                      |
| Certificates of deposit, less than \$250,000                                | 2.7%                          | 2.7%                         | 3.3%                          | 3.5%                     | 3.6%                      |
| Total core deposits                                                         | 95.2%                         | 95.3%                        | 95.9%                         | 95.6%                    | 96.3%                     |
| Certificates of deposit, \$250,000 or more                                  | 0.9%                          | 1.0%                         | 1.0%                          | 1.0%                     | 0.9%                      |
| Certificates of deposit insured by CDARS®                                   | 0.2%                          | 0.2%                         | 0.2%                          | 0.2%                     | 0.3%                      |
| Other brokered certificates of deposit                                      | 0.7%                          | 0.7%                         | —%                            | —%                       | —%                        |
| Brokered money market accounts                                              | 3.0%                          | 2.8%                         | 2.9%                          | 3.2%                     | 2.5%                      |
| Total                                                                       | 100.0%                        | 100.0%                       | 100.0%                        | 100.0%                   | 100.0%                    |

# **AVERAGE BALANCES AND RATES**

## **Columbia Banking System, Inc.**

Unaudited

|                                             | Three Months Ended            |                           |                 | Three Months Ended  |                           |                 |
|---------------------------------------------|-------------------------------|---------------------------|-----------------|---------------------|---------------------------|-----------------|
|                                             | March 31, 2018                |                           |                 | March 31, 2017      |                           |                 |
|                                             | Average<br>Balances           | Interest<br>Earned / Paid | Average<br>Rate | Average<br>Balances | Interest<br>Earned / Paid | Average<br>Rate |
|                                             | <i>(dollars in thousands)</i> |                           |                 |                     |                           |                 |
| <b>ASSETS</b>                               |                               |                           |                 |                     |                           |                 |
| Loans, net (1)(2)                           | \$ 8,348,740                  | \$ 104,091                | 4.99%           | \$ 6,198,215        | \$ 75,514                 | 4.87%           |
| Taxable securities                          | 2,158,039                     | 12,708                    | 2.36%           | 1,861,627           | 10,986                    | 2.36%           |
| Tax exempt securities (2)                   | 524,211                       | 3,878                     | 2.96%           | 448,863             | 4,140                     | 3.69%           |
| Interest-earning deposits with banks        | 91,763                        | 345                       | 1.50%           | 11,586              | 19                        | 0.66%           |
| Total interest-earning assets               | 11,122,753                    | \$ 121,022                | 4.35%           | 8,520,291           | \$ 90,659                 | 4.26%           |
| Other earning assets                        | 218,126                       |                           |                 | 178,091             |                           |                 |
| Noninterest-earning assets                  | 1,262,265                     |                           |                 | 775,316             |                           |                 |
| Total assets                                | \$ 12,603,144                 |                           |                 | \$ 9,473,698        |                           |                 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                               |                           |                 |                     |                           |                 |
| Certificates of deposit                     | \$ 479,729                    | \$ 526                    | 0.44%           | \$ 399,306          | \$ 95                     | 0.10%           |
| Savings accounts                            | 878,170                       | 41                        | 0.02%           | 738,631             | 19                        | 0.01%           |
| Interest-bearing demand                     | 1,252,823                     | 535                       | 0.17%           | 972,560             | 159                       | 0.07%           |
| Money market accounts                       | 2,795,008                     | 1,407                     | 0.20%           | 2,008,107           | 514                       | 0.10%           |
| Total interest-bearing deposits             | 5,405,730                     | 2,509                     | 0.19%           | 4,118,604           | 787                       | 0.08%           |
| FHLB advances                               | 125,660                       | 570                       | 1.81%           | 81,577              | 225                       | 1.10%           |
| Subordinated debentures                     | 35,623                        | 468                       | 5.26%           | —                   | —                         | —%              |
| Other borrowings                            | 60,840                        | 116                       | 0.76%           | 63,479              | 129                       | 0.81%           |
| Total interest-bearing liabilities          | 5,627,853                     | \$ 3,663                  | 0.26%           | 4,263,660           | \$ 1,141                  | 0.11%           |
| Noninterest-bearing deposits                | 4,928,750                     |                           |                 | 3,836,049           |                           |                 |
| Other noninterest-bearing liabilities       | 97,266                        |                           |                 | 112,337             |                           |                 |
| Shareholders' equity                        | 1,949,275                     |                           |                 | 1,261,652           |                           |                 |
| Total liabilities & shareholders' equity    | \$ 12,603,144                 |                           |                 | \$ 9,473,698        |                           |                 |
| Net interest income (tax equivalent)        |                               | \$ 117,359                |                 |                     | \$ 89,518                 |                 |
| Net interest margin (tax equivalent)        |                               |                           | 4.22%           |                     |                           | 4.20%           |

- (1) Nonaccrual loans have been included in the tables as loans carrying a zero yield. Amortized net deferred loan fees and net unearned discounts on acquired loans were included in the interest income calculations. The amortization of net deferred loan fees was \$2.2 million and \$1.6 million for the three month periods ended March 31, 2018 and March 31, 2017, respectively. The incremental accretion on acquired loans was \$3.7 million and \$4.1 million for the three months ended March 31, 2018 and 2017, respectively.
- (2) Tax-exempt income is calculated on a tax equivalent basis. The tax equivalent yield adjustment to interest earned on loans was \$1.1 million and \$1.4 million for the three months ended March 31, 2018 and 2017, respectively. The tax equivalent yield adjustment to interest earned on tax exempt securities was \$814 thousand and \$1.4 million for the three month periods ended March 31, 2018 and 2017, respectively.

# AVERAGE BALANCES AND RATES

## Columbia Banking System, Inc.

Unaudited

|                                             | Three Months Ended   |                           |                 | Three Months Ended   |                           |                 |
|---------------------------------------------|----------------------|---------------------------|-----------------|----------------------|---------------------------|-----------------|
|                                             | March 31, 2018       |                           |                 | December 31, 2017    |                           |                 |
|                                             | Average<br>Balances  | Interest<br>Earned / Paid | Average<br>Rate | Average<br>Balances  | Interest<br>Earned / Paid | Average<br>Rate |
| <i>(dollars in thousands)</i>               |                      |                           |                 |                      |                           |                 |
| <b>ASSETS</b>                               |                      |                           |                 |                      |                           |                 |
| Loans, net (1)(2)                           | \$ 8,348,740         | \$ 104,091                | 4.99%           | \$ 7,749,420         | \$ 97,720                 | 5.04%           |
| Taxable securities                          | 2,158,039            | 12,708                    | 2.36%           | 2,035,788            | 9,487                     | 1.86%           |
| Tax exempt securities (2)                   | 524,211              | 3,878                     | 2.96%           | 503,533              | 4,492                     | 3.57%           |
| Interest-earning deposits with banks        | 91,763               | 345                       | 1.50%           | 164,356              | 545                       | 1.33%           |
| Total interest-earning assets               | 11,122,753           | \$ 121,022                | 4.35%           | 10,453,097           | \$ 112,244                | 4.30%           |
| Other earning assets                        | 218,126              |                           |                 | 202,246              |                           |                 |
| Noninterest-earning assets                  | 1,262,265            |                           |                 | 1,095,706            |                           |                 |
| Total assets                                | <u>\$ 12,603,144</u> |                           |                 | <u>\$ 11,751,049</u> |                           |                 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                      |                           |                 |                      |                           |                 |
| Certificates of deposit                     | \$ 479,729           | \$ 526                    | 0.44%           | \$ 457,285           | \$ 374                    | 0.33%           |
| Savings accounts                            | 878,170              | 41                        | 0.02%           | 835,952              | 39                        | 0.02%           |
| Interest-bearing demand                     | 1,252,823            | 535                       | 0.17%           | 1,168,496            | 376                       | 0.13%           |
| Money market accounts                       | 2,795,008            | 1,407                     | 0.20%           | 2,572,247            | 1,233                     | 0.19%           |
| Total interest-bearing deposits             | 5,405,730            | 2,509                     | 0.19%           | 5,033,980            | 2,022                     | 0.16%           |
| FHLB advances                               | 125,660              | 570                       | 1.81%           | 9,817                | 99                        | 4.03%           |
| Subordinated debentures                     | 35,623               | 468                       | 5.26%           | 23,427               | 304                       | 5.19%           |
| Other borrowings                            | 60,840               | 116                       | 0.76%           | 59,876               | 192                       | 1.28%           |
| Total interest-bearing liabilities          | 5,627,853            | \$ 3,663                  | 0.26%           | 5,127,100            | \$ 2,617                  | 0.20%           |
| Noninterest-bearing deposits                | 4,928,750            |                           |                 | 4,770,476            |                           |                 |
| Other noninterest-bearing liabilities       | 97,266               |                           |                 | 98,728               |                           |                 |
| Shareholders' equity                        | 1,949,275            |                           |                 | 1,754,745            |                           |                 |
| Total liabilities & shareholders' equity    | <u>\$ 12,603,144</u> |                           |                 | <u>\$ 11,751,049</u> |                           |                 |
| Net interest income (tax equivalent)        |                      | <u>\$ 117,359</u>         |                 |                      | <u>\$ 109,627</u>         |                 |
| Net interest margin (tax equivalent)        |                      |                           | <u>4.22%</u>    |                      |                           | <u>4.20%</u>    |

- (1) Nonaccrual loans have been included in the tables as loans carrying a zero yield. Amortized net deferred loan fees and net unearned discounts on acquired loans were included in the interest income calculations. The amortization of net deferred loan fees was \$2.2 million and \$1.9 million for the three month periods ended March 31, 2018 and December 31, 2017, respectively. The incremental accretion on acquired loans was \$3.7 million and \$2.7 million for the three months ended March 31, 2018 and December 31, 2017, respectively.
- (2) Tax-exempt income is calculated on a tax equivalent basis. The tax equivalent yield adjustment to interest earned on loans was \$1.1 million and \$1.8 million for the three months ended March 31, 2018 and December 31, 2017, respectively. The tax equivalent yield adjustment to interest earned on tax exempt securities was \$814 thousand and \$1.6 million for the three month periods ended March 31, 2018 and December 31, 2017, respectively.

## Non-GAAP Financial Measures

The Company considers its operating net interest margin and operating efficiency ratios to be useful measurements as they more closely reflect the ongoing operating performance of the Company. Despite the usefulness of the operating net interest margin and operating efficiency ratio to the Company, there are no standardized definitions for them and, as a result, the Company's calculations may not be comparable with other organizations. The Company encourages readers to consider its consolidated financial statements in their entirety and not to rely on any single financial measure.

The following tables reconcile the Company's calculation of the operating net interest margin and operating efficiency ratio:

|                                                                          | Three Months Ended |               |              |
|--------------------------------------------------------------------------|--------------------|---------------|--------------|
|                                                                          | March 31,          | December 31,  | March 31,    |
|                                                                          | 2018               | 2017          | 2017         |
| <i>(dollars in thousands)</i>                                            |                    |               |              |
| <b>Operating net interest margin non-GAAP reconciliation:</b>            |                    |               |              |
| Net interest income (tax equivalent) (1)                                 | \$ 117,359         | \$ 109,627    | \$ 89,518    |
| Adjustments to arrive at operating net interest income (tax equivalent): |                    |               |              |
| Incremental accretion income on FDIC purchased credit impaired loans     | (329)              | (265)         | (2,117)      |
| Incremental accretion income on other acquired loans                     | (3,370)            | (2,482)       | (1,948)      |
| Premium amortization on acquired securities                              | 2,075              | 1,978         | 1,462        |
| Correction of immaterial error - securities premium amortization         | —                  | 1,771         | —            |
| Interest reversals on nonaccrual loans                                   | 417                | 443           | 265          |
| Operating net interest income (tax equivalent) (1)                       | \$ 116,152         | \$ 111,072    | \$ 87,180    |
| Average interest earning assets                                          | \$ 11,122,753      | \$ 10,453,097 | \$ 8,520,291 |
| Net interest margin (tax equivalent) (1)                                 | 4.22%              | 4.20%         | 4.20%        |
| Operating net interest margin (tax equivalent) (1)                       | 4.18%              | 4.25%         | 4.09%        |
| <b>Operating efficiency ratio non-GAAP reconciliation:</b>               |                    |               |              |
| Noninterest expense (numerator A)                                        | \$ 85,987          | \$ 85,627     | \$ 68,986    |
| Adjustments to arrive at operating noninterest expense:                  |                    |               |              |
| Acquisition-related expenses                                             | (4,265)            | (13,638)      | (1,364)      |
| Net benefit (cost) of operation of OREO and OPPO                         | 4                  | (46)          | (150)        |
| FDIC clawback liability recovery                                         | —                  | —             | 54           |
| Loss on asset disposals                                                  | —                  | (56)          | (6)          |
| State of Washington Business and Occupation ("B&O") taxes                | (1,317)            | (1,167)       | (1,123)      |
| Operating noninterest expense (numerator B)                              | \$ 80,409          | \$ 70,720     | \$ 66,397    |
| Net interest income (tax equivalent) (1)                                 | \$ 117,359         | \$ 109,627    | \$ 89,518    |
| Noninterest income                                                       | 23,143             | 23,581        | 24,859       |
| Bank owned life insurance tax equivalent adjustment                      | 379                | 741           | 689          |
| Total revenue (tax equivalent) (denominator A)                           | \$ 140,881         | \$ 133,949    | \$ 115,066   |
| Operating net interest income (tax equivalent) (1)                       | \$ 116,152         | \$ 111,072    | \$ 87,180    |
| Adjustments to arrive at operating noninterest income (tax equivalent):  |                    |               |              |
| Investment securities gains (loss), net                                  | (22)               | 11            | —            |
| Gain on asset disposals                                                  | (35)               | (34)          | (29)         |
| Mortgage loan repurchase liability adjustment                            | —                  | —             | (573)        |
| Change in FDIC loss-sharing asset                                        | —                  | —             | 274          |
| Operating noninterest income (tax equivalent)                            | 23,465             | 24,299        | 25,220       |
| Total operating revenue (tax equivalent) (denominator B)                 | \$ 139,617         | \$ 135,371    | \$ 112,400   |
| Efficiency ratio (tax equivalent) (numerator A/denominator A)            | 61.04%             | 63.93%        | 59.95%       |
| Operating efficiency ratio (tax equivalent) (numerator B/denominator B)  | 57.59%             | 52.24%        | 59.07%       |

(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 \$1.9 million, \$3.4 million and \$2.8 million for the three month periods ended March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

## Non-GAAP Financial Measures - Continued

The Company also considers its core net interest expense ratio to be a useful measurement as it more closely reflects the ongoing operating performance of the Company. Despite the usefulness of the core net interest expense ratio to the Company, there is not a standardized definition for it, as a result, the Company's calculations may not be comparable with other organizations. 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 core net interest expense ratio:

|                                                                | Three Months Ended            |                      |                   |
|----------------------------------------------------------------|-------------------------------|----------------------|-------------------|
|                                                                | March 31,<br>2018             | December 31,<br>2017 | March 31,<br>2017 |
| <b>Core noninterest expense ratio non-GAAP reconciliation:</b> | <i>(dollars in thousands)</i> |                      |                   |
| Noninterest expense (numerator A)                              | \$ 85,987                     | \$ 85,627            | \$ 68,986         |
| Adjustments to arrive at core noninterest expense:             |                               |                      |                   |
| FDIC clawback liability recovery                               | —                             | —                    | 54                |
| Acquisition-related expenses                                   | (4,265)                       | (13,638)             | (1,364)           |
| Net benefit (cost) of operation of OREO and OPPO               | 4                             | (46)                 | (150)             |
| Core noninterest expense (numerator B)                         | \$ 81,726                     | \$ 71,943            | \$ 67,526         |
| Average assets (denominator)                                   | \$ 12,603,144                 | \$ 11,751,049        | \$ 9,473,698      |
| Noninterest expense ratio (numerator A/denominator)            | 2.73%                         | 2.91%                | 2.91%             |
| Core noninterest expense ratio (numerator B/denominator)       | 2.59%                         | 2.45%                | 2.85%             |