UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2018 .

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission File Number 0-20288

COLUMBIA BANKING SYSTEM, INC.
(Exact name of registrant as specified in its charter)

Washington	**91-1422237**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
1301 A Street **Tacoma, Washington**	**98402-2156**
(Address of principal executive offices)	**(Zip Code)**

(253) 305-1900
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

The number of shares of common stock outstanding at October 31, 2018 was 73,257,775 .

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PART I - FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS

Columbia Banking System, Inc.
(Unaudited)

			September 30, 2018	December 31, 2017
ASSETS			*(in thousands)*	
Cash and due from banks			$ 220,706	$ 244,615
Interest-earning deposits with banks			21,456	97,918
Total cash and cash equivalents			242,162	342,533
Debt securities available for sale at fair value			2,921,114	2,737,751
Equity securities at fair value			4,901	5,080
Federal Home Loan Bank stock at cost			16,640	10,440
Loans held for sale			5,275	5,766
Loans, net of unearned income			8,514,317	8,358,657
Less: allowance for loan and lease losses			83,787	75,646
Loans, net			8,430,530	8,283,011
Interest receivable			48,476	40,881
Premises and equipment, net			169,681	169,490
Other real estate owned			7,331	13,298
Goodwill			765,842	765,842
Other intangible assets, net			48,827	58,173
Other assets			295,817	284,621
Total assets			$ 12,956,596	$ 12,716,886
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Noninterest-bearing			$ 5,250,222	$ 5,081,901
Interest-bearing			5,353,735	5,450,184
Total deposits			10,603,957	10,532,085
Federal Home Loan Bank advances			166,536	11,579
Securities sold under agreements to repurchase			62,197	79,059
Subordinated debentures			35,508	35,647
Junior subordinated debentures			—	8,248
Other liabilities			107,003	100,346
Total liabilities			10,975,201	10,766,964
Commitments and contingent liabilities (Note 12)				
Shareholders' equity:				
	September 30, 2018	**December 31, 2017**		
	(in thousands)			
Common stock (no par value)				
Authorized shares	115,000	115,000		
Issued and outstanding	73,260	73,020	1,640,140	1,634,705
Retained earnings			411,264	337,442
Accumulated other comprehensive loss			(70,009)	(22,225)
Total shareholders' equity			1,981,395	1,949,922
Total liabilities and shareholders' equity			$ 12,956,596	$ 12,716,886

See accompanying Notes to unaudited Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF INCOME

Columbia Banking System, Inc.
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands except per share amounts)			
Interest Income				
Loans	$ 109,748	$ 78,641	$ 318,187	$ 228,340
Taxable securities	14,654	8,718	39,285	29,172
Tax-exempt securities	3,069	2,718	9,196	8,125
Deposits in banks	104	226	600	268
Total interest income	127,575	90,303	367,268	265,905
Interest Expense				
Deposits	3,193	1,083	8,274	2,778
Federal Home Loan Bank advances	966	163	2,351	979
Subordinated debentures	468	—	1,404	—
Other borrowings	152	128	288	383
Total interest expense	4,779	1,374	12,317	4,140
Net Interest Income	122,796	88,929	354,951	261,765
Provision (recapture) for loan and lease losses	3,153	(648)	12,980	5,304
Net interest income after provision (recapture) for loan and lease losses	119,643	89,577	341,971	256,461
Noninterest Income				
Deposit account and treasury management fees	9,266	7,685	26,689	22,368
Card revenue	3,714	6,735	16,143	18,660
Financial services and trust revenue	2,975	2,645	8,924	8,520
Loan revenue	3,282	3,154	9,522	9,736
Merchant processing revenue	—	—	—	4,283
Bank owned life insurance	1,402	1,290	4,540	4,003
Investment securities losses, net	(62)	—	(73)	—
Change in FDIC loss-sharing asset	—	—	—	(447)
Gain on sale of merchant card services portfolio	—	14,000	—	14,000
Other	442	1,558	2,109	4,938
Total noninterest income	21,019	37,067	67,854	86,061
Noninterest Expense				
Compensation and employee benefits	49,419	39,983	148,938	119,201
Occupancy	8,321	8,085	27,718	22,853
Merchant processing expense	—	—	—	2,196
Advertising and promotion	1,472	969	4,523	2,923
Data processing	4,466	4,122	14,957	13,071
Legal and professional fees	4,695	2,880	12,103	9,196
Taxes, licenses and fees	1,562	1,505	4,547	3,494
Regulatory premiums	904	782	2,778	2,299
Net cost of operati on of other real estate owned	485	271	1,244	422
Amortization of intangibles	3,070	1,188	9,346	3,786
Other	8,447	7,752	27,317	25,949
Total noninterest expense	82,841	67,537	253,471	205,390
Income before income taxes	57,821	59,107	156,354	137,132
Income tax provision	11,406	18,338	28,220	40,032
Net Income	$ 46,415	$ 40,769	$ 128,134	$ 97,100
Earnings per common share				
Basic	$ 0.63	$ 0.70	$ 1.75	$ 1.67
Diluted	$ 0.63	$ 0.70	$ 1.75	$ 1.67
Dividends declared per common share	$ 0.26	$ 0.22	$ 0.74	$ 0.66

Weighted average number of common shares outstanding	72,427	57,566	72,370	57,459
Weighted average number of diluted common shares outstanding	72,432	57,571	72,374	57,465

See accompanying Notes to unaudited Consolidated Financial Statements.

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

	Three Months Ended September 30,	
	2018	**2017**
	(in thousands)	
Net income	$ 46,415	$ 40,769
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) from securities:		
Net unrealized holding gain (loss) from available for sale debt securities arising during the period, net of tax of $4,2 86 and ($312)	(14,149)	549
Net unrealized gain (loss) from securities, net of reclassification adjustment	(14,149)	549
Pension plan liability adjustment:		
Amortization of unrecognized net actuarial loss included in net periodic pension cost, net of tax of ($19) and ($26)	61	46
Pension plan liability adjustment, net	61	46
Other comprehensive income (loss)	(14,088)	595
Total comprehensive income	$ 32,327	$ 41,364

	Nine Months Ended September 30,	
	2018	**2017**
	(in thousands)	
Net income	$ 128,134	$ 97,100
Other comprehensive income (loss), net of tax		
Unrealized gain (loss) from securities:		
Net unrealized holding gain (loss) from available for sale debt securities arising during the period, net of tax of $14,554 and ($4,716)	(48,043)	8,284
Reclassification adjustment of net gain from sale of available for sale debt securities included in income, net of ta x o f $25 and $0	(81)	—
Net unrealized gain (loss) from securities, net of reclassification adjustment	(48,124)	8,284
Pension plan liability adjustment:		
Reduction in unfunded defined benefit plan liability during the period, net of tax of $0 and ($2,622)	—	4,604
Amortization of unrecognized net actuarial loss included in net periodic pension cost, net of tax of ($56) and ($101)	183	178
Pension plan liability adjustment, net	183	4,782
Other comprehensive income (loss)	(47,941)	13,066
Total comprehensive income	$ 80,193	$ 110,166

See accompanying Notes to unaudited Consolidated Financial Statements.

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

	Preferred Stock		Common Stock				
	Number of Shares	Amount	Number of Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
				(in thousands)			
Balance at January 1, 2018	—	$ —	73,020	$ 1,634,705	$ 337,442	$ (22,225)	$ 1,949,922
Adjustment to opening retained earnings pursuant to adoption of ASU 2016-01	—	—	—	—	(157)	157	—
Net income	—	—	—	—	128,134	—	128,134
Other comprehensive loss	—	—	—	—	—	(47,941)	(47,941)
Issuance of common stock - stock option and other plans	—	—	45	1,857	—	—	1,857
Activity in deferred compensation plan	—	—	—	7	—	—	7
Issuance of common stock - restricted stock awards, net of canceled awards	—	—	257	6,231	—	—	6,231
Purchase and retirement of common stock	—	—	(62)	(2,660)	—	—	(2,660)
Cash dividends declared on common stock	—	—	—	—	(54,155)	—	(54,155)
Balance at September 30, 2018	—	$ —	73,260	$ 1,640,140	$ 411,264	$ (70,009)	$ 1,981,395
Balance at January 1, 2017	9	$ 2,217	58,042	$ 995,837	$ 271,957	$ (18,999)	$ 1,251,012
Adjustment to opening retained earnings pursuant to adoption of ASU 2016-09	—	—	—	184	(117)	—	67
Net income	—	—	—	—	97,100	—	97,100
Other comprehensive income	—	—	—	—	—	13,066	13,066
Issuance of common stock - stock option and other plans	—	—	49	1,980	—	—	1,980
Issuance of common stock - restricted stock awards, net of canceled awards	—	—	238	5,915	—	—	5,915
Preferred stock conversion to common stock	(9)	(2,217)	102	2,217	—	—	—
Purchase and retirement of common stock	—	—	(55)	(2,246)	—	—	(2,246)
Cash dividends declared on common stock	—	—	—	—	(38,466)	—	(38,466)
Balance at September 30, 2017	—	$ —	58,376	$ 1,003,887	$ 330,474	$ (5,933)	$ 1,328,428

See accompanying Notes to unaudited Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Columbia Banking System, Inc.
(Unaudited)

	Nine Months Ended September 30, 2018	2017
	(in thousands)	
Cash Flows From Operating Activities		
Net income	$ 128,134	$ 97,100
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan and lease losses	12,980	5,304
Stock-based compensation expense	6,231	5,915
Depreciation, amortization and accretion	25,807	21,483
Investment securities losses, net	73	—
Net realized (gain) loss on sale of premises and equipment, loans held for investment and other assets	142	(189)
Net realized loss on sale and valuation adjustments of other real estate owned	1,299	489
Gain on sale of merchant card services portfolio	—	(14,000)
Gain on bank owned life insurance death benefit	—	(2,980)
Termination of FDIC loss share agreements charge	—	2,409
Originations of loans held for sale	(103,614)	(99,130)
Proceeds from sales of loans held for sale	104,105	97,174
Net change in:		
Interest receivable	(7,595)	(6,089)
Interest payable	618	(21)
Other assets	(2,599)	(4,406)
Other liabilities	5,662	(2,624)
Net cash provided by operating activities	171,243	100,435
Cash Flows From Investing Activities		
Loans originated, net of principal collected	(168,382)	(304,831)
Purchases of:		
Debt securities available for sale	(606,052)	(130,906)
Premises and equipment	(8,253)	(4,380)
Federal Home Loan Bank stock	(136,120)	(92,040)
Proceeds from:		
FDIC reimbursement on loss-sharing asset	—	26
Sales of debt securities available for sale	32,330	—
Principal repayments and maturities of debt securities available for sale	311,956	200,470
Sales of premises and equipment and loans held for investment	14,956	12,157
Sale of merchant card services portfolio	—	14,000
Redemption of Federal Home Loan Bank stock	129,920	92,040
Sales of other real estate and other personal property owned	5,868	1,901
Bank owned life insurance death benefit	5,074	10,745
Payment to FDIC to terminate loss-sharing agreements	—	(4,666)
Payments to FDIC related to loss-sharing asset	—	(210)
Net cash used in investing activities	(418,703)	(205,694)
Cash Flows From Financing Activities		
Net increase in deposits	72,151	282,336
Net decrease in sweep repurchase agreements	(16,862)	(39,889)
Proceeds from:		
Federal Home Loan Bank advances	3,403,000	2,301,000
Federal Reserve Bank borrowings	5,010	10
Exercise of stock options	1,857	1,980
Payments for:		
Repayment of Federal Home Loan Bank advances	(3,248,000)	(2,301,000)
Repayment of Federal Reserve Bank borrowings	(5,010)	(10)

Common stock dividends	(54,149)	(38,466)
Repayment of junior subordinated debentures	(8,248)	—
Purchase and retirement of common stock	(2,660)	(2,246)
Net cash provided by financing activities	147,089	203,715
Increase (decrease) in cash and cash equivalents	(100,371)	98,456
Cash and cash equivalents at beginning of period	342,533	224,238
Cash and cash equivalents at end of period	$ 242,162	$ 322,694

CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
Columbia Banking System, Inc.
(Unaudited)

	Nine Months Ended September 30,	
	2018	**2017**
	(in thousands)	
Supplemental Information:		
Cash paid during the period for:		
Interest	$ 11,699	$ 4,161
Income tax	$ 12,768	$ 37,701
Non-cash investing and financing activities		
Loans transferred to other real estate owned	$ 1,200	$ 74
Premises and equipment expenditures incurred but not yet paid	$ 464	$ —
Change in dividends payable on unvested shares included in other liabilities	$ 6	$ —

See accompanying Notes to unaudited Consolidated Financial Statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Columbia Banking System, Inc.

1. Basis of Presentation, Significant Accounting Policies and Reclassifications

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 Columbia Trust Company ("Columbia 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 nine months ended September 30, 2018 are not necessarily indicative of results to be anticipated for the year ending December 31, 2018 . The accompanying interim unaudited Consolidated Financial Statements should be read in conjunction with the financial statements and related notes contained in the Company's 2017 Annual Report on Form 10-K.

Significant Accounting Policies

The significant accounting policies used in preparation of our Consolidated Financial Statements are disclosed in our 2017 Annual Report on Form 10-K. There have not been any changes in our significant accounting policies compared to those contained in our 2017 Form 10-K disclosure for the year ended December 31, 2017 .

Reclassifications

Certain amounts reported in prior periods have been reclassified in the Consolidated Financial Statements to conform to the current presentation. The reclassifications have no effect on net income or stockholders' equity as previously reported.

2. Accounting Pronouncements Recently Issued

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract* . The amendments in this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The amendments also require the entity to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement, including reasonably certain renewal periods. The amendments in ASU 2018-15 are effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. The Company is assessing the impact that this guidance will have on its Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments* . The amendments in this ASU provide specific guidance on several statement of cash flow classification issues to reduce diversity in practice. The amendments in ASU 2016-15 are effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company has reclassified items in the Statement of Cash Flows for the nine months ended September 30, 2017 to conform with its current presentation based on its adoption of ASU 2016-15.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* . The amendments included in this ASU require an entity to reflect its current estimate of all expected credit losses for assets held at an amortized cost basis. For available for sale debt securities, credit losses will be measured in a manner similar to current GAAP, however, this ASU will require that credit losses be presented as an allowance rather than as a write-down. The amendments in ASU 2016-13 are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and are required to be adopted through a modified retrospective approach, with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the ASU is effective.

Currently, the Company cannot reasonably estimate the impact that adoption of ASU 2016-13 will have on its Consolidated Financial Statements; however, the impact may be significant. That assessment is based upon the fact that, unlike the incurred loss models in existing GAAP, the current expected credit loss ("CECL") model in ASU 2016-13 does not specify a threshold for the recognition of an impairment allowance. Rather, the Company will recognize an impairment allowance equal to its estimate of lifetime expected credit losses, adjusted for prepayments, for in-scope financial instruments as of the end of the reporting period. Accordingly, the impairment allowance measured under the CECL model could increase significantly from the impairment allowance measured under the Company's existing incurred loss model. The Company has engaged a third-party vendor to assist in the CECL calculation and has developed an internal governance framework to oversee the CECL implementation. Other significant CECL implementation matters being addressed by the Company include selecting loss estimation methodologies, identifying, sourcing and storing data, addressing data gaps, defining a reasonable and supportable forecast period, selecting historical loss information which will be reverted to, documenting the CECL estimation process, assessing the impact to internal controls over financial reporting, capital planning and seeking process approval from audit and regulatory stakeholders.

In February 2016, the FASB issued ASU 2016-02, *Leases* . The amendments included in this ASU create a new accounting model for both lessees and lessors. The new guidance requires lessees to recognize lease liabilities, initially measured as the present value of future lease payments, and corresponding right-of-use assets for all leases with lease terms greater than 12 months. This model differs from the current lease accounting model, which does not require such lease liabilities and corresponding right-of-use assets to be recorded for operating leases. The amendments in ASU 2016-02 must be adopted using the modified retrospective approach and will be effective for the first interim or annual period beginning after December 15, 2018. The FASB subsequently issued ASU 2018-11, which allows for an additional (optional) transition method. Early adoption is permitted. During 2017, the Company selected a third-party lease accounting application to assist in the implementation of this new guidance. Significant implementation matters to be addressed by the Company include assessing the impact to our internal controls over financial reporting and documenting the new lease accounting process. At September 30, 2018 the Company's estimate of right-of-use assets and lease liabilities that would be recorded on its January 1, 2019 Consolidated Balance Sheet upon adoption of ASU 2016-02 was between $40.0 million and $50.0 million . This estimate may change depending on the Company's lease activity. Additionally, the Company expects to recognize a cumulative effect adjustment upon adoption to increase the beginning balance of retained earnings as of January 1, 2019 for any remaining deferred gains on sale-leaseback transactions which occurred prior to the date of adoption. The Company had $1.0 million of deferred gains on sale-leaseback transactions as of September 30, 2018. We do not expect a material impact to our Consolidated Statement of Income as a result of this ASU.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* . The amendments in ASU 2016-01 require all equity investments to be measured at fair value with changes in the fair value recognized through net income. The amendments in ASU 2016-01 also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, the amendments in this update eliminate the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. The amendments in ASU 2016-01 are effective for the first interim or annual period beginning after December 15, 2017. The Company adopted the amendments of ASU 2016-01 effective January 1, 2018 and recorded a cumulative effect adjustment of $157 thousand to retained earnings related to the unrealized holding losses on equity securities with readily determinable fair value included in accumulated other comprehensive loss. The Company also added a separate line item on the Consolidated Balance Sheet for equity securities at fair value and reclassified amounts previously included in securities available for sale at fair value to conform to current period presentation. In addition, as required by the ASU, the fair value disclosure for loans is computed using an exit price notion and deposits with no stated maturity are no longer included in the fair value disclosures in Note 15, "Fair Value Accounting and Measurement."

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* , which provides revenue recognition guidance that is intended to create greater consistency with respect to how and when revenue from contracts with customers is shown in the income statement. The guidance requires that revenue from contracts with customers be recognized when transfer of control over goods or services is passed to customers in the amount of consideration expected to be received. Subsequent Accounting Standard Updates have been issued clarifying the original pronouncement (ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20). The majority of the Company's revenue is comprised of interest income from financial assets, which is specifically outside the scope of ASU 2014-09.

On January 1, 2018, we adopted the accounting guidance in ASU 2014-09 and all the related amendments ("Topic 606") using the modified retrospective method for all contracts that have not been completed (i.e. open contracts). Therefore, the comparative information has not been adjusted and continues to be reported under Topic 605. There was no cumulative effect adjustment as of January 1, 2018, and there were no material changes to the timing or amount of revenue recognized for the nine months ended September 30, 2018; however, additional disclosures were incorporated in the footnotes upon adoption. See Note 17, "Revenue from Contracts with Customers," for more information.

3. Business Combinations

On November 1, 2017 , the Company completed its acquisition of Pacific Continental Corporation ("Pacific Continental") and its wholly-owned banking subsidiary Pacific Continental Bank. The Company acquired 100% of the equity interests of Pacific Continental. The primary reasons for the acquisition were to expand in the Eugene, Oregon market and improve branch network efficiencies in the Seattle and Portland markets.

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 fair values as of the November 1, 2017 acquisition date. The application of the acquisition method of accounting resulted in the recognition of goodwill of $383.1 million and a core deposit intangible of $46.9 million , or 2.34% of core deposits. The goodwill represents the excess of the purchase price over the fair value of the net assets acquired. The goodwill is not deductible for income tax purposes.

The table below summarizes the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed:

	November 1, 2017	
	(in thousands)	
Merger consideration		$ 637,103
Identifiable net assets acquired, at fair value		
Assets acquired		
Cash and cash equivalents	$ 81,190	
Investment securities	449,291	
Federal Home Loan Bank stock	7,084	
Loans	1,873,987	
Interest receivable	7,827	
Premises and equipment	27,343	
Other real estate owned	10,279	
Core deposit intangible	46,875	
Other assets	50,638	
Total assets acquired		2,554,514
Liabilities assumed		
Deposits	(2,118,982)	
Federal Home Loan Bank advances	(101,127)	
Subordinated debentures	(35,678)	
Junior subordinated debentures	(14,434)	
Securities sold under agreements to repurchase	(1,617)	
Other liabilities	(28,653)	
Total liabilities assumed		(2,300,491)
Total fair value of identifiable net assets		254,023
Goodwill		$ 383,080

See Note 8, "Goodwill and Other Intangible Assets," for further discussion of the accounting for goodwill and other intangible assets.

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, 2018 to September 30, 2018 . Disclosure of the amount of Pacific Continental’s revenue and net income (excluding integration costs) included in Columbia’s Consolidated Statements of Income 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 nine months ended September 30, 2017 . This unaudited, estimated pro forma financial information was calculated as if Pacific Continental had been acquired as of the beginning of the year prior to the date of acquisition. This unaudited pro forma information combines the historical results of Pacific Continental with the Company’s consolidated historical results and includes certain adjustments reflecting the estimated impact of certain fair value adjustments for the respective periods. 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	
	Nine Months Ended September 30,	
	2017	
	(in thousands except per share)	
Total revenues (net interest income plus noninterest income)	$	432,060
Net income	$	122,410
Earnings per share - basic	$	1.70
Earnings per share - diluted	$	1.70

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018		2017		2018		2017	
	(in thousands)							
Noninterest Expense								
Compensation and employee benefits	$	923	$	3	$	3,410	$	3
Occupancy		29		593		1,619		945
Advertising and promotion		—		184		534		201
Data processing		20		66		941		539
Legal and professional fees		102		157		893		1,587
Taxes, licenses and fees		—		—		—		3
Other		7		168		771		280
Total impact of acquisition-related costs to noninterest expense	$	1,081	$	1,171	$	8,168	$	3,558

4. Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2018		*(in thousands)*		
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 1,997,736	$ 295	$ (69,199)	$ 1,928,832
State and municipal securities	578,132	1,927	(12,241)	567,818
U.S. government agency and government-sponsored enterprise securities	433,267	37	(9,087)	424,217
U.S. government securities	251	—	(4)	247
Total	$ 3,009,386	$ 2,259	$ (90,531)	$ 2,921,114
December 31, 2017				
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 1,752,236	$ 1,815	$ (27,326)	$ 1,726,725
State and municipal securities	593,940	6,023	(3,959)	596,004
U.S. government agency and government-sponsored enterprise securities	416,894	642	(2,762)	414,774
U.S. government securities	251	—	(3)	248
Total	$ 2,763,321	$ 8,480	$ (34,050)	$ 2,737,751

The following table provides the proceeds and both gross realized gains and losses on sales of debt securities available for sale as well as other securities gains and losses for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
		(in thousands)		
Proceeds from sales of debt securities available for sale	$ —	$ —	$ 32,330	$ —
Gross realized gains from sales of debt securities available for sale	$ —	$ —	$ 235	$ —
Gross realized losses from sales of debt securities available for sale	—	—	(129)	—
Other securities losses, net (1)	(62)	—	(179)	—
Investment securities losses, net	$ (62)	$ —	$ (73)	$ —

(1) Other securities losses, net includes net unrealized loss activity associated with equity securities. There were no sales of equity securities during the periods presented.

The scheduled contractual maturities of debt securities available for sale at September 30, 2018 are presented as follows:

	September 30, 2018	
	Amortized Cost	Fair Value
	(in thousands)	
Due within one year	$ 126,071	$ 126,253
Due after one year through five years	612,279	598,770
Due after five years through ten years	1,144,161	1,113,290
Due after ten years	1,126,875	1,082,801
Total debt securities available for sale	$ 3,009,386	$ 2,921,114

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:

	September 30, 2018
	(in thousands)
Washington and Oregon State to secure public deposits	$ 256,078
Federal Reserve Bank to secure borrowings	51,843
Other securities pledged	119,981
Total securities pledged as collateral	$ 427,902

The following table shows the gross unrealized losses and fair value of the Company's debt securities available for sale 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 September 30, 2018 and December 31, 2017 :

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2018			*(in thousands)*			
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 1,084,529	$ (26,966)	$ 834,985	$ (42,233)	$ 1,919,514	$ (69,199)
State and municipal securities	333,523	(6,833)	96,018	(5,408)	429,541	(12,241)
U.S. government agency and government-sponsored enterprise securities	300,519	(6,269)	120,102	(2,818)	420,621	(9,087)
U.S. government securities	—	—	247	(4)	247	(4)
Total	$ 1,718,571	$ (40,068)	$ 1,051,352	$ (50,463)	$ 2,769,923	$ (90,531)
December 31, 2017						
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 816,678	$ (6,710)	$ 717,211	$ (20,616)	$ 1,533,889	$ (27,326)
State and municipal securities	220,019	(1,723)	75,172	(2,236)	295,191	(3,959)
U.S. government agency and government-sponsored enterprise securities	184,046	(1,006)	155,983	(1,756)	340,029	(2,762)
U.S. government securities	249	(3)	—	—	249	(3)
Total	$ 1,220,992	$ (9,442)	$ 948,366	$ (24,608)	$ 2,169,358	$ (34,050)

At September 30, 2018 , there were 481 U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations securities in an unrealized loss position, of which 153 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 September 30, 2018 .

At September 30, 2018 , there were 458 state and municipal government securities in an unrealized loss position, of which 92 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 September 30, 2018 , 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 September 30, 2018 .

At September 30, 2018 , there were 54 U.S. government agency and government-sponsored enterprise securities in an unrealized loss position, of which 14 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 September 30, 2018 .

At September 30, 2018 , there was one U.S. government security in an unrealized loss position, which was also 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 this investment falls within the yield curve and its individual characteristics. Because the Company does not currently intend to sell this security nor does the Company consider it more likely than not that it will be required to sell this security before the recovery of amortized cost basis, which may be upon maturity, the Company does not consider this investment to be other-than-temporarily impaired at September 30, 2018 .

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 segment (net of unearned income):

	September 30, 2018			December 31, 2017		
	Loans, excluding PCI loans	PCI Loans	Total	Loans, excluding PCI loans	PCI Loans	Total
	(in thousands)					
Commercial business	$ 3,554,147	$ 11,164	$ 3,565,311	$ 3,377,324	$ 12,628	$ 3,389,952
Real estate:						
One-to-four family residential	232,924	8,356	241,280	188,396	12,395	200,791
Commercial and multifamily residential	3,786,615	66,748	3,853,363	3,825,739	75,594	3,901,333
Total real estate	4,019,539	75,104	4,094,643	4,014,135	87,989	4,102,124
Real estate construction:						
One-to-four family residential	211,629	159	211,788	200,518	177	200,695
Commercial and multifamily residential	349,328	579	349,907	371,931	607	372,538
Total real estate construction	560,957	738	561,695	572,449	784	573,233
Consumer	327,863	8,930	336,793	334,190	11,269	345,459
Less: Net unearned income	(44,125)	—	(44,125)	(52,111)	—	(52,111)
Total loans, net of unearned income	8,418,381	95,936	8,514,317	8,245,987	112,670	8,358,657
Less: Allowance for loan and lease losses	(79,770)	(4,017)	(83,787)	(68,739)	(6,907)	(75,646)
Total loans, net	$ 8,338,611	$ 91,919	$ 8,430,530	$ 8,177,248	$ 105,763	$ 8,283,011
Loans held for sale	$ 5,275	$ —	$ 5,275	$ 5,766	$ —	$ 5,766

At September 30, 2018 and December 31, 2017 , 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 $9.7 million and $10.0 million at September 30, 2018 and December 31, 2017 , respectively. During the first nine months of 2018 , there were $14 thousand in advances and $226 thousand in repayments.

At September 30, 2018 and December 31, 2017 , $3.18 billion and $2.25 billion of commercial and residential real estate loans were pledged as collateral on Federal Home Loan Bank of Des Moines ("FHLB") borrowings and additional borrowing capacity. The Company has also pledged $76.2 million and $70.2 million of commercial loans to the Federal Reserve Bank for additional borrowing capacity at September 30, 2018 and December 31, 2017 , respectively.

The following is an analysis of nonaccrual loans as of September 30, 2018 and December 31, 2017 :

	September 30, 2018		December 31, 2017	
	Recorded Investment Nonaccrual Loans	**Unpaid Principal Balance Nonaccrual Loans**	**Recorded Investment Nonaccrual Loans**	**Unpaid Principal Balance Nonaccrual Loans**
	(in thousands)			
Commercial business:				
Secured	$ 45,753	$ 57,049	$ 45,410	$ 56,865
Unsecured	—	—	50	49
Real estate:				
One-to-four family residential	501	508	785	1,182
Commercial & multifamily residential:				
Commercial land	2,461	2,470	2,628	2,623
Income property	1,873	2,523	4,284	5,410
Owner occupied	6,678	6,992	7,029	7,270
Real estate construction:				
One-to-four family residential:				
Land and acquisition	318	318	25	26
Residential construction	—	—	1,829	1,828
Consumer	2,748	2,937	4,149	4,633
Total	$ 60,332	$ 72,797	$ 66,189	$ 79,886

Loans, excluding purchased credit impaired loans

The following is an aging of the recorded investment of the loan portfolio as of September 30, 2018 and December 31, 2017 :

September 30, 2018	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
				(in thousands)			
Commercial business:							
Secured	$ 3,365,159	$ 7,141	$ 2,258	$ —	$ 9,399	$ 45,753	$ 3,420,311
Unsecured	117,801	1,118	—	—	1,118	—	118,919
Real estate:							
One-to-four family residential	229,685	341	784	—	1,125	501	231,311
Commercial & multifamily residential:							
Commercial land	278,777	—	—	—	—	2,461	281,238
Income property	1,880,405	3,339	2,073	—	5,412	1,873	1,887,690
Owner occupied	1,588,662	1,929	—	—	1,929	6,678	1,597,269
Real estate construction:							
One-to-four family residential:							
Land and acquisition	5,320	325	—	—	325	318	5,963
Residential construction	200,484	4,144	—	—	4,144	—	204,628
Commercial & multifamily residential:							
Income property	253,470	—	166	—	166	—	253,636
Owner occupied	90,511	—	—	—	—	—	90,511
Consumer	322,085	1,788	284	—	2,072	2,748	326,905
Total	$ 8,332,359	$ 20,125	$ 5,565	$ —	$ 25,690	$ 60,332	$ 8,418,381

December 31, 2017	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
				(in thousands)			
Commercial business:							
Secured	$ 3,185,321	$ 2,530	$ 2,400	$ —	$ 4,930	$ 45,410	$ 3,235,661
Unsecured	123,524	100	501	—	601	50	124,175
Real estate:							
One-to-four family residential	184,256	1,111	402	—	1,513	785	186,554
Commercial & multifamily residential:							
Commercial land	292,680	92	—	581	673	2,628	295,981
Income property	1,898,655	2,426	971	—	3,397	4,284	1,906,336
Owner occupied	1,590,004	2,485	468	—	2,953	7,029	1,599,986
Real estate construction:							
One-to-four family residential:							
Land and acquisition	9,882	—	—	—	—	25	9,907
Residential construction	187,862	—	—	—	—	1,829	189,691
Commercial & multifamily residential:							
Income property	293,028	—	—	—	—	—	293,028
Owner occupied	72,443	—	—	—	—	—	72,443
Consumer	325,928	1,446	702	—	2,148	4,149	332,225
Total	$ 8,163,583	$ 10,190	$ 5,444	$ 581	$ 16,215	$ 66,189	$ 8,245,987

The following is an analysis of impaired loans as of September 30, 2018 and December 31, 2017 :

	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
September 30, 2018			*(in thousands)*				
Commercial business:							
Secured	$ 3,379,535	$ 40,776	$ 7,402	$ 7,875	$ 1,139	$ 33,374	$ 38,293
Unsecured	118,897	22	—	—	—	22	21
Real estate:							
One-to-four family residential	230,915	396	337	606	8	59	256
Commercial & multifamily residential:							
Commercial land	279,008	2,230	—	—	—	2,230	2,274
Income property	1,884,936	2,754	110	175	1	2,644	2,789
Owner occupied	1,587,550	9,719	3,274	4,693	71	6,445	6,692
Real estate construction:							
One-to-four family residential:							
Land and acquisition	5,963	—	—	—	—	—	—
Residential construction	204,628	—	—	—	—	—	—
Commercial & multifamily residential:							
Income property	253,636	—	—	—	—	—	—
Owner occupied	86,461	4,050	—	—	—	4,050	4,050
Consumer	322,162	4,743	3,702	3,953	36	1,041	1,056
Total	$ 8,353,691	$ 64,690	$ 14,825	$ 17,302	$ 1,255	$ 49,865	$ 55,431

	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, 2017			*(in thousands)*				
Commercial business:							
Secured	$ 3,195,649	$ 40,012	$ 3,808	$ 3,937	$ 1,867	$ 36,204	$ 42,314
Unsecured	124,150	25	25	24	3	—	—
Real estate:							
One-to-four family residential	185,659	895	867	1,408	103	28	337
Commercial & multifamily residential:							
Commercial land	293,694	2,287	—	—	—	2,287	2,282
Income property	1,901,313	5,023	2,768	3,328	185	2,255	2,601
Owner occupied	1,591,298	8,688	77	80	3	8,611	10,077
Real estate construction:							
One-to-four family residential:							
Land and acquisition	9,907	—	—	—	—	—	—
Residential construction	188,481	1,210	—	—	—	1,210	1,210
Commercial & multifamily residential:							
Income property	293,028	—	—	—	—	—	—
Owner occupied	68,393	4,050	—	—	—	4,050	4,050
Consumer	325,210	7,015	5,303	5,568	199	1,712	1,864
Total	$ 8,176,782	$ 69,205	$ 12,848	$ 14,345	$ 2,360	$ 56,357	$ 64,735

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018		2017		2018		2017	
	Average Recorded Investment Impaired Loans	Interest Recognized on Impaired Loans	Average Recorded Investment Impaired Loans	Interest Recognized on Impaired Loans	Average Recorded Investment Impaired Loans	Interest Recognized on Impaired Loans	Average Recorded Investment Impaired Loans	Interest Recognized on Impaired Loans
	(in thousands)							
Commercial business:								
Secured	$ 43,805	$ 2	$ 22,395	$ 2	$ 43,055	$ 43	$ 15,349	$ 25
Unsecured	444	—	—	—	234	1	—	—
Real estate:								
One-to-four family residential	545	12	856	15	713	30	688	37
Commercial & multifamily residential:								
Commercial land	2,246	26	2,549	—	2,407	26	2,026	—
Income property	2,443	34	4,214	21	3,367	96	4,137	27
Owner occupied	9,349	124	4,530	127	8,986	333	4,496	319
Real estate construction:								
One-to-four family residential:								
Land and acquisition	—	—	—	—	—	—	4	—
Residential construction	—	—	—	—	605	—	84	—
Commercial & multifamily residential:								
Owner occupied	4,050	72	2,025	151	4,050	174	1,012	151
Consumer	5,646	44	6,054	58	6,135	110	5,712	105
Total	$ 68,528	$ 314	$ 42,623	$ 374	$ 69,552	$ 813	$ 33,508	$ 664

The following is an analysis of loans classified as troubled debt restructurings ("TDR") during the three and nine months ended September 30, 2018 and 2017 :

	Three months ended September 30, 2018			Three months ended September 30, 2017		
	Number of TDR Modifications	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of TDR Modifications	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
			(dollars in thousands)			
Commercial business:						
Secured	1	$ 14,511	$ 14,511	2	$ 808	$ 808
Real estate:						
One-to-four family residential	—	—	—	2	201	201
Commercial and multifamily residential:						
Income property	—	—	—	1	1,152	1,152
Owner occupied	—	—	—	1	78	78
Real estate construction:						
Commercial and multifamily residential:						
Owner occupied	—	—	—	1	4,050	4,050
Consumer	3	123	123	17	1,672	1,672
Total	4	$ 14,634	$ 14,634	24	$ 7,961	$ 7,961

	Nine months ended September 30, 2018			Nine months ended September 30, 2017		
	Number of TDR Modifications	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of TDR Modifications	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
			(dollars in thousands)			
Commercial business:						
Secured	9	$ 17,605	$ 17,605	7	$ 2,586	$ 2,586
Real estate:						
One-to-four family residential	—	—	—	3	583	583
Commercial and multifamily residential:						
Income property	1	891	891	1	1,152	1,152
Owner occupied	—	—	—	1	78	78
Real estate construction:						
Commercial and multifamily residential:						
Owner occupied	—	—	—	1	4,050	4,050
Consumer	18	2,540	2,540	35	4,033	4,033
Total	28	$ 21,036	$ 21,036	48	$ 12,482	$ 12,482

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 summarized in the table above 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 commitments to lend $16.2 million of additional funds on loans classified as TDR as of September 30, 2018 . The Company had $506 thousand of such commitments at December 31, 2017 . The Company did not have any loans modified as TDR that defaulted within 12 months of being modified as TDR during the three and nine months ended September 30, 2018 and 2017 .

Purchased Credit Impaired Loans

Purchased credit impaired ("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, which utilizes probability values 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 September 30, 2018 and December 31, 2017 :

	September 30, 2018	December 31, 2017
	(in thousands)	
Commercial business	$ 11,603	$ 13,753
Real estate:		
One-to-four family residential	10,243	14,610
Commercial and multifamily residential	70,344	79,211
Total real estate	80,587	93,821
Real estate construction:		
One-to-four family residential	159	177
Commercial and multifamily residential	552	595
Total real estate construction	711	772
Consumer	9,880	12,412
Subtotal of PCI loans	102,781	120,758
Less:		
Valuation discount resulting from acquisition accounting	6,845	8,088
Allowance for loan losses	4,017	6,907
PCI loans, net of allowance for loan losses	$ 91,919	$ 105,763

The following table shows the changes in accretable yield for PCI loans for the three and nine months ended September 30, 2018 and 2017 :

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
Balance at beginning of period	$ 25,350	$ 35,706	$ 31,176	$ 45,191
Accretion	(2,233)	(2,766)	(6,435)	(9,830)
Disposals	(221)	—	(387)	(158)
Reclassifications from (to) nonaccretable difference	279	(892)	(1,179)	(3,155)
Balance at end of period	$ 23,175	$ 32,048	$ 23,175	$ 32,048

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

We record an allowance for loan and lease losses (the "allowance") to recognize management's estimate of credit losses incurred in the loan portfolio at each balance sheet date. We have used the same methodology for allowance calculations during the nine months ended September 30, 2018 and 2017 .

The following tables show a detailed analysis of the allowance for the three and nine months ended September 30, 2018 and 2017 :

	Beginning Balance	Charge-offs	Recoveries	Provision (Recapture)	Ending Balance	Specific Reserve	General Allocation
Three months ended September 30, 2018				*(in thousands)*			
Commercial business:							
Secured	$ 40,350	$ (576)	$ 496	$ 2,912	$ 43,182	$ 1,139	$ 42,043
Unsecured	2,443	(30)	51	(41)	2,423	—	2,423
Real estate:							
One-to-four family residential	461	—	21	(110)	372	8	364
Commercial & multifamily residential:							
Commercial land	3,278	—	8	(87)	3,199	—	3,199
Income property	4,102	—	202	(292)	4,012	1	4,011
Owner occupied	4,356	—	3	316	4,675	71	4,604
Real estate construction:							
One-to-four family residential:							
Land and acquisition	848	—	582	(742)	688	—	688
Residential construction	4,572	—	1	660	5,233	—	5,233
Commercial & multifamily residential:							
Income property	7,367	—	—	573	7,940	—	7,940
Owner occupied	2,299	—	—	138	2,437	—	2,437
Consumer	5,292	(277)	266	(258)	5,023	36	4,987
Purchased credit impaired	4,782	(1,208)	945	(502)	4,017	—	4,017
Unallocated	—	—	—	586	586	—	586
Total	$ 80,150	$ (2,091)	$ 2,575	$ 3,153	$ 83,787	$ 1,255	$ 82,532

	Beginning Balance	Charge-offs	Recoveries	Provision (Recapture)	Ending Balance	Specific Reserve	General Allocation
Nine months ended September 30, 2018				*(in thousands)*			
Commercial business:							
Secured	$ 29,341	$ (8,741)	$ 2,536	$ 20,046	$ 43,182	$ 1,139	$ 42,043
Unsecured	2,000	(117)	356	184	2,423	—	2,423
Real estate:							
One-to-four family residential	701	—	389	(718)	372	8	364
Commercial & multifamily residential:							
Commercial land	4,265	—	92	(1,158)	3,199	—	3,199
Income property	5,672	(223)	901	(2,338)	4,012	1	4,011
Owner occupied	5,459	—	19	(803)	4,675	71	4,604
Real estate construction:							
One-to-four family residential:							
Land and acquisition	963	—	610	(885)	688	—	688
Residential construction	3,709	—	6	1,518	5,233	—	5,233
Commercial & multifamily residential:							
Income property	7,053	—	—	887	7,940	—	7,940
Owner occupied	4,413	—	—	(1,976)	2,437	—	2,437
Consumer	5,163	(773)	796	(163)	5,023	36	4,987
Purchased credit impaired	6,907	(3,786)	3,096	(2,200)	4,017	—	4,017
Unallocated	—	—	—	586	586	—	586
Total	$ 75,646	$ (13,640)	$ 8,801	$ 12,980	$ 83,787	$ 1,255	$ 82,532

Three months ended September 30, 2017	Beginning Balance	Charge-offs	Recoveries	Provision (Recapture)	Ending Balance	Specific Reserve	General Allocation
				(in thousands)			
Commercial business:							
Secured	$ 39,539	$ (1,362)	$ 550	$ (969)	$ 37,758	$ —	$ 37,758
Unsecured	1,147	—	138	(298)	987	—	987
Real estate:							
One-to-four family residential	628	—	40	3	671	26	645
Commercial & multifamily residential:							
Commercial land	2,356	—	45	(97)	2,304	—	2,304
Income property	6,854	—	9	241	7,104	25	7,079
Owner occupied	6,512	—	4	306	6,822	—	6,822
Real estate construction:							
One-to-four family residential:							
Land and acquisition	361	—	14	(83)	292	—	292
Residential construction	1,377	—	6	(272)	1,111	—	1,111
Commercial & multifamily residential:							
Income property	985	—	—	279	1,264	—	1,264
Owner occupied	1,382	—	—	(87)	1,295	—	1,295
Consumer	3,551	(263)	343	42	3,673	51	3,622
Purchased credit impaired	8,061	(1,633)	1,389	(473)	7,344	—	7,344
Unallocated	231	—	—	760	991	—	991
Total	$ 72,984	$ (3,258)	$ 2,538	$ (648)	$ 71,616	$ 102	$ 71,514

Nine months ended September 30, 2017	Beginning Balance	Charge-offs	Recoveries	Provision (Recapture)	Ending Balance	Specific Reserve	General Allocation
				(in thousands)			
Commercial business:							
Secured	$ 36,050	$ (6,071)	$ 3,750	$ 4,029	$ 37,758	$ —	$ 37,758
Unsecured	960	(18)	247	(202)	987	—	987
Real estate:							
One-to-four family residential	599	(460)	380	152	671	26	645
Commercial & multifamily residential:							
Commercial land	1,797	—	45	462	2,304	—	2,304
Income property	7,342	—	104	(342)	7,104	25	7,079
Owner occupied	6,439	—	114	269	6,822	—	6,822
Real estate construction:							
One-to-four family residential:							
Land and acquisition	316	(14)	61	(71)	292	—	292
Residential construction	669	—	46	396	1,111	—	1,111
Commercial & multifamily residential:							
Income property	404	—	—	860	1,264	—	1,264
Owner occupied	1,192	—	—	103	1,295	—	1,295
Consumer	3,534	(1,156)	876	419	3,673	51	3,622
Purchased credit impaired	10,515	(5,372)	3,737	(1,536)	7,344	—	7,344
Unallocated	226	—	—	765	991	—	991
Total	$ 70,043	$ (13,091)	$ 9,360	$ 5,304	$ 71,616	$ 102	$ 71,514

Changes in the allowance for unfunded commitments and letters of credit, a component of “Other liabilities” in the Consolidated Balance Sheets, are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
Balance at beginning of period	$ 3,680	$ 3,555	$ 3,130	$ 2,705
Net changes in the allowance for unfunded commitments and letters of credit	275	(75)	825	775
Balance at end of period	$ 3,955	$ 3,480	$ 3,955	$ 3,480

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 rated 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 rated 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 reviewed 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. Loans risk rated as Substandard reflect loans where a loss is possible if loan weaknesses are not corrected. Doubtful rated loans have a high probability of loss; however, the amount of loss has not yet been determined. Loss rated loans are considered uncollectable and when identified, are charged off.

The following is an analysis of the credit quality of our loan portfolio, excluding PCI loans, as of September 30, 2018 and December 31, 2017 :

September 30, 2018	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Loss**	**Total**
			(in thousands)			
Loans, excluding PCI loans:						
Commercial business:						
Secured	$ 3,202,147	$ 83,986	$ 134,178	$ —	$ —	$ 3,420,311
Unsecured	118,885	33	1	—	—	118,919
Real estate:						
One-to-four family residential	229,704	—	1,607	—	—	231,311
Commercial and multifamily residential:						
Commercial land	272,838	3,423	4,977	—	—	281,238
Income property	1,857,338	19,474	10,878	—	—	1,887,690
Owner occupied	1,532,093	27,182	37,994	—	—	1,597,269
Real estate construction:						
One-to-four family residential:						
Land and acquisition	5,645	—	318	—	—	5,963
Residential construction	204,628	—	—	—	—	204,628
Commercial and multifamily residential:						
Income property	253,636	—	—	—	—	253,636
Owner occupied	86,461	—	4,050	—	—	90,511
Consumer	322,595	—	4,310	—	—	326,905
Total	$ 8,085,970	$ 134,098	$ 198,313	$ —	$ —	8,418,381
Less:						
Allowance for loan and lease losses						79,770
Loans, excluding PCI loans, net						$ 8,338,611

December 31, 2017	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Loss**	**Total**
			(in thousands)			
Loans, excluding PCI loans:						
Commercial business:						
Secured	$ 3,049,031	$ 64,600	$ 122,030	$ —	$ —	$ 3,235,661
Unsecured	123,621	—	554	—	—	124,175
Real estate:						
One-to-four family residential	183,312	1,186	2,056	—	—	186,554
Commercial and multifamily residential:						
Commercial land	283,673	5,204	7,104	—	—	295,981
Income property	1,857,832	17,181	31,323	—	—	1,906,336
Owner occupied	1,546,775	7,380	45,831	—	—	1,599,986
Real estate construction:						
One-to-four family residential:						
Land and acquisition	9,882	—	25	—	—	9,907
Residential construction	187,863	—	1,828	—	—	189,691
Commercial and multifamily residential:						
Income property	293,028	—	—	—	—	293,028
Owner occupied	68,393	—	4,050	—	—	72,443
Consumer	323,129	—	9,096	—	—	332,225
Total	$ 7,926,539	$ 95,551	$ 223,897	$ —	$ —	8,245,987
Less:						
Allowance for loan and lease losses						68,739
Loans, excluding PCI loans, net						$ 8,177,248

The following is an analysis of the credit quality of our PCI loan portfolio as of September 30, 2018 and December 31, 2017 :

September 30, 2018	Pass	Special Mention	Substandard	Doubtful	Loss	Total
			(in thousands)			
PCI loans:						
Commercial business:						
Secured	$ 9,732	$ —	$ 947	$ —	$ —	$ 10,679
Unsecured	824	—	100	—	—	924
Real estate:						
One-to-four family residential	10,021	—	222	—	—	10,243
Commercial and multifamily residential:						
Commercial land	10,583	—	—	—	—	10,583
Income property	20,444	—	1,898	—	—	22,342
Owner occupied	37,042	—	377	—	—	37,419
Real estate construction:						
One-to-four family residential:						
Land and acquisition	155	—	4	—	—	159
Residential construction	—	—	—	—	—	—
Commercial and multifamily residential:						
Income property	552	—	—	—	—	552
Owner occupied	—	—	—	—	—	—
Consumer	9,638	—	242	—	—	9,880
Total	$ 98,991	$ —	$ 3,790	$ —	$ —	102,781
Less:						
Valuation discount resulting from acquisition accounting						6,845
Allowance for loan losses						4,017
PCI loans, net						$ 91,919

December 31, 2017	Pass	Special Mention	Substandard	Doubtful	Loss	Total
			(in thousands)			
PCI loans:						
Commercial business:						
Secured	$ 11,918	$ —	$ 723	$ —	$ —	$ 12,641
Unsecured	1,045	—	67	—	—	1,112
Real estate:						
One-to-four family residential	13,817	—	793	—	—	14,610
Commercial and multifamily residential:						
Commercial land	9,460	349	—	—	—	9,809
Income property	25,981	—	35	—	—	26,016
Owner occupied	42,617	—	769	—	—	43,386
Real estate construction:						
One-to-four family residential:						
Land and acquisition	169	—	8	—	—	177
Residential construction	—	—	—	—	—	—
Commercial and multifamily residential:						
Income property	595	—	—	—	—	595
Owner occupied	—	—	—	—	—	—
Consumer	11,705	—	707	—	—	12,412
Total	$ 117,307	$ 349	$ 3,102	$ —	$ —	120,758
Less:						
Valuation discount resulting from acquisition accounting						8,088
Allowance for loan losses						6,907
PCI loans, net						$ 105,763

7. Other Real Estate Owned ("OREO")

The following tables set forth activity in OREO for the three and nine months ended September 30, 2018 and 2017 :

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
Balance, beginning of period	$ 7,080	$ 4,058	$ 13,298	$ 5,998
Transfers in	794	74	1,200	74
Valuation adjustments	(495)	(138)	(697)	(364)
Proceeds from sale of OREO property	(47)	(182)	(5,868)	(1,901)
Loss on sale of OREO, net	(1)	(130)	(602)	(125)
Balance, end of period	$ 7,331	$ 3,682	$ 7,331	$ 3,682

At September 30, 2018 , there were $60 thousand in foreclosed residential real estate properties held as OREO and the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process was $736 thousand .

8. 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 Company performed an annual impairment assessment as of July 31, 2018 and concluded that there was no impairment.

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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
Goodwill				
Total goodwill (1)	$ 765,842	$ 382,762	$ 765,842	$ 382,762
Other intangible assets, net				
Core deposit intangible:				
Gross core deposit intangible balance at beginning of period	105,473	58,598	105,473	58,598
Accumulated amortization at beginning of period	(54,495)	(44,484)	(48,219)	(41,886)
Core deposit intangible, net at beginning of period	50,978	14,114	57,254	16,712
CDI current period amortization	(3,070)	(1,188)	(9,346)	(3,786)
Total core deposit intangible, net at end of period	47,908	12,926	47,908	12,926
Intangible assets not subject to amortization	919	919	919	919
Other intangible assets, net at end of period	48,827	13,845	48,827	13,845
Total goodwill and other intangible assets at end of period	$ 814,669	$ 396,607	$ 814,669	$ 396,607

(1) See Note 3, "Business Combinations," for additional information regarding goodwill and intangible assets recorded related to the acquisition of Pacific Continental on November 1, 2017.

The following table provides the estimated future amortization expense of core deposit intangibles for the remaining three months ending December 31, 2018 and the succeeding four years:

	Amount
	(in thousands)
Year ending December 31,	
2018	$ 2,890
2019	10,479
2020	8,724
2021	7,264
2022	5,880

9. Subordinated Debentures

On November 1, 2017, with its acquisition of Pacific Continental, the Company assumed $35.0 million in aggregate principal amount of fixed-to-floating rate subordinated debentures (the “Notes”). The Notes are callable at par on June 30, 2021, have a stated maturity of June 30, 2026 and bear interest at a fixed annual rate of 5.875% per year, from and including June 27, 2016, but excluding June 30, 2021. From and including June 30, 2021 through the maturity date or early redemption date, the interest rate will reset quarterly to an annual interest rate equal to the then-current three-month LIBOR plus 471.5 basis points.

10. Junior Subordinated Debentures

On November 1, 2017, with its acquisition of Pacific Continental, the Company assumed $14.4 million of trust preferred obligations. The Company redeemed $6.2 million of these obligations during 2017. The remaining $8.2 million of obligations were redeemed in January 2018.

11. 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 September 30, 2018 and December 31, 2017 was $368.1 million and $384.7 million , respectively. During the three and nine months ended September 30, 2018 , mark-to-market gain s of $1 thousand and $9 thousand , respectively, were recorded to “Other” noninterest expense. During the three and nine months ended September 30, 2017 , mark-to-market gain s of $6 thousand and $12 thousand , respectively, were recorded to “Other” noninterest expense.

The following table presents the fair value of derivatives not designated as hedging instruments at September 30, 2018 and December 31, 2017 :

	Asset Derivatives				Liability Derivatives			
	September 30, 2018		December 31, 2017		September 30, 2018		December 31, 2017	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(in thousands)							
Interest rate contracts	Other assets	$ 10,479	Other assets	$ 6,707	Other liabilities	$ 10,478	Other liabilities	$ 6,714

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 cash or 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
September 30, 2018			*(in thousands)*		
Assets					
Interest rate contracts	$ 10,479	$ —	$ 10,479	$ —	$ 10,479
Liabilities					
Interest rate contracts	$ 10,478	$ —	$ 10,478	$ (9,595)	$ 883
Repurchase agreements	$ 62,197	$ —	$ 62,197	$ (62,197)	$ —
December 31, 2017					
Assets					
Interest rate contracts	$ 6,707	$ —	$ 6,707	$ —	$ 6,707
Liabilities					
Interest rate contracts	$ 6,714	$ —	$ 6,714	$ (6,714)	$ —
Repurchase agreements	$ 79,059	$ —	$ 79,059	$ (79,059)	$ —

The following table presents the class of collateral pledged for repurchase agreements as well as the remaining contractual maturity of the repurchase agreements:

	Remaining contractual maturity of the agreements				
	Overnight and continuous	Up to 30 days	30 - 90 days	Greater than 90 days	Total
September 30, 2018			*(in thousands)*		
Class of collateral pledged for repurchase agreements					
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 62,197	$ —	$ —	$ —	$ 62,197
Gross amount of recognized liabilities for repurchase agreements					62,197
Amounts related to agreements not included in offsetting disclosure					$ —

The collateral utilized for the Company's repurchase agreements is subject to market fluctuations as well as prepayments of principal. The Company monitors the risk of the fair value of its pledged collateral falling below acceptable amounts based on the type of the underlying repurchase agreement. The pledged collateral related to the Company's $62.2 million sweep repurchase agreements, which mature on an overnight basis, is monitored on a daily basis as the underlying sweep accounts can have frequent transaction activity and the amount of pledged collateral is adjusted as necessary.

12. Commitments and Contingent Liabilities

Lease Commitments: The Company's lease commitments consist primarily of leased locations under various non-cancellable operating leases that expire between 2018 and 2043 . The majority of the leases contain renewal options and provisions for increases in rental rates based on an agreed upon index or predetermined escalation schedule.

Financial Instruments with Off-Balance Sheet Risk: In the normal course of business, the Company makes loan commitments (typically unfunded loans and unused lines of credit) and issues standby letters of credit to accommodate the financial needs of its customers. At September 30, 2018 and December 31, 2017 , the Company's loan commitments amounted to $2.50 billion and $2.62 billion , respectively.

Standby letters of credit commit the Company to make payments on behalf of customers under specified conditions. Historically, no significant losses have been incurred by the Company under standby letters of credit. Both arrangements have credit risk essentially the same as that involved in extending loans to customers and are subject to the Company's normal credit policies, including collateral requirements, where appropriate. Standby letters of credit were $41.8 million and $51.3 million at September 30, 2018 and December 31, 2017 , respectively. In addition, commitments under commercial letters of credit used to facilitate customers' trade transactions and other off-balance sheet liabilities amounted to $104 thousand and $159 thousand at September 30, 2018 and December 31, 2017 , respectively.

Legal Proceedings: The Company and its subsidiaries are from time to time defendants in and are threatened with various legal proceedings arising from their regular business activities. Management, after consulting with legal counsel, is of the opinion that the ultimate liability, if any, resulting from these pending or threatened actions and proceedings will not have a material effect on the financial statements of the Company.

13. Shareholders' Equity

Dividends: On January 25, 2018 , the Company declared a regular quarterly cash dividend of $0.22 per common share payable on February 21, 2018 to shareholders of record at the close of business on February 7, 2018 .

On April 25, 2018 , the Company declared a regular quarterly cash dividend of $0.26 per common share payable on May 23, 2018 to shareholders of record at the close of business on May 9, 2018 .

On July 25, 2018 , the Company declared a regular quarterly cash dividend of $0.26 per common share payable on August 22, 2018 to shareholders of record at the close of business on August 8, 2018 .

Subsequent to quarter end, on October 25, 2018 , the Company declared a regular quarterly cash dividend of $0.26 per common share and a special cash dividend of $0.14 per common share payable on November 21, 2018 to shareholders of record at the close of business on November 7, 2018 .

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.

14. Accumulated Other Comprehensive Loss

The following table shows changes in accumulated other comprehensive income (loss) by component for the three and nine month periods ended September 30, 2018 and 2017 :

	Unrealized Gains and Losses on Available-for-Sale Securities (1)	Unrealized Gains and Losses on Pension Plan Liability (1)	Total (1)
Three months ended September 30, 2018		*(in thousands)*	
Beginning balance	$ (53,597)	$ (2,324)	$ (55,921)
Other comprehensive loss before reclassifications	(14,149)	—	(14,149)
Amounts reclassified from accumulated other comprehensive loss	—	61	61
Net current-period other comprehensive income (loss)	(14,149)	61	(14,088)
Ending balance	$ (67,746)	$ (2,263)	$ (70,009)
Three months ended September 30, 2017			
Beginning balance	$ (4,969)	$ (1,559)	$ (6,528)
Other comprehensive income before reclassifications	549	—	549
Amounts reclassified from accumulated other comprehensive loss	—	46	46
Net current-period other comprehensive income	549	46	595
Ending balance	$ (4,420)	$ (1,513)	$ (5,933)
Nine months ended September 30, 2018			
Beginning balance	$ (19,779)	$ (2,446)	$ (22,225)
Adjustment pursuant to adoption of ASU 2016-01	157	—	157
Other comprehensive loss before reclassifications	(48,043)	—	(48,043)
Amounts reclassified from accumulated other comprehensive loss	(81)	183	102
Net current-period other comprehensive income (loss)	(48,124)	183	(47,941)
Ending balance	$ (67,746)	$ (2,263)	$ (70,009)
Nine months ended September 30, 2017			
Beginning balance	$ (12,704)	$ (6,295)	$ (18,999)
Other comprehensive income before reclassifications	8,284	4,604	12,888
Amounts reclassified from accumulated other comprehensive loss	—	178	178
Net current-period other comprehensive income	8,284	4,782	13,066
Ending balance	$ (4,420)	$ (1,513)	$ (5,933)

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

The following table shows details regarding the reclassifications from accumulated other comprehensive income (loss) for the three and nine month periods ended September 30, 2018 and 2017 :

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)				
	Three Months Ended September 30,		Nine Months Ended September 30,		Affected line Item in the Consolidated
	2018	2017	2018	2017	Statement of Income
	(in thousands)				
Unrealized gains and losses on available-for-sale debt securities					
Investment securities gains, net	$ —	$ —	$ 106	$ —	Investment securities losses, net
	—	—	106	—	Total before tax
	—	—	(25)	—	Income tax provision
	$ —	$ —	$ 81	$ —	Net of tax
Amortization of pension plan liability					
Actuarial losses	$ (80)	$ (72)	$ (239)	$ (279)	Compensation and employee benefits
	(80)	(72)	(239)	(279)	Total before tax
	19	26	56	101	Income tax benefit
	$ (61)	$ (46)	$ (183)	$ (178)	Net of tax

15. 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 and equity securities, 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.

The following table sets forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis at September 30, 2018 and December 31, 2017 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:

		Fair Value Measurements at Reporting Date Using		
	Fair value	Level 1	Level 2	Level 3
September 30, 2018		*(in thousands)*		
Assets				
Debt securities available for sale:				
U.S. government agency and government-sponsored enterprise mortgage-back securities and collateralized mortgage obligations	$ 1,928,832	$ —	$ 1,928,832	$ —
State and municipal debt securities	567,818	—	567,818	—
U.S. government agency and government-sponsored enterprise securities	424,217	—	424,217	—
U.S. government securities	247	247	—	—
Total debt securities available for sale	$ 2,921,114	$ 247	$ 2,920,867	$ —
Equity securities	$ 4,901	$ 4,901	$ —	$ —
Other assets (Interest rate contracts)	$ 10,479	$ —	$ 10,479	$ —
Liabilities				
Other liabilities (Interest rate contracts)	$ 10,478	$ —	$ 10,478	$ —

		Fair Value Measurements at Reporting Date Using		
	Fair value	Level 1	Level 2	Level 3
December 31, 2017		*(in thousands)*		
Assets				
Debt securities available for sale:				
U.S. government agency and government-sponsored enterprise mortgage-back securities and collateralized mortgage obligations	$ 1,726,725	$ —	$ 1,726,725	$ —
State and municipal debt securities	596,004	—	596,004	—
U.S. government agency and government-sponsored enterprise securities	414,774	—	414,774	—
U.S. government securities	248	248	—	—
Total debt securities available for sale	$ 2,737,751	$ 248	$ 2,737,503	$ —
Equity securities	$ 5,080	$ 5,080	$ —	$ —
Other assets (Interest rate contracts)	$ 6,707	$ —	$ 6,707	$ —
Liabilities				
Other liabilities (Interest rate contracts)	$ 6,714	$ —	$ 6,714	$ —

There were no transfers between Level 1 and Level 2 of the valuation hierarchy during the nine month periods ended September 30, 2018 and 2017 . 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. The impairment evaluations are performed in conjunction with the allowance 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 allowance, or in the event of a write-up without previous losses charged to the allowance, 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 September 30, 2018	Fair Value Measurements at Reporting Date Using			Losses During the Three Months Ended September 30, 2018	Losses During the Nine Months Ended September 30, 2018
		Level 1	Level 2	Level 3		
				(in thousands)		
Impaired loans	$ 14,616	$ —	$ —	$ 14,616	$ 1,208	$ 1,208
OREO	1,240	—	—	1,240	445	445
	$ 15,856	$ —	$ —	$ 15,856	$ 1,653	$ 1,653

	Fair value at September 30, 2017	Fair Value Measurements at Reporting Date Using			Losses During the Three Months Ended September 30, 2017	Losses During the Nine Months Ended September 30, 2017
		Level 1	Level 2	Level 3		
				(in thousands)		
Impaired loans	$ 843	$ —	$ —	$ 843	$ 170	$ 170
OREO	625	—	—	625	138	138
	$ 1,468	$ —	$ —	$ 1,468	$ 308	$ 308

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 September 30, 2018		Valuation Technique	Unobservable Input	Range (Weighted Average) (1)
	(dollars in thousands)				
Impaired loans - collateral-dependent (3)	$	14,616	Fair Market Value of Collateral	Adjustment to Stated Value	0.00% - 54.51% (6.66%)
OREO	$	1,240	Fair Market Value of Collateral	Adjustment to Appraisal Value	N/A (2)

(1) Discount applied to appraisal value or stated value (in the case of accounts receivable, fixed assets, and inventory).

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

(3) Collateral consists of accounts receivable, fixed assets, inventory, cash, real estate and state guarantee.

	Fair value at September 30, 2017		Valuation Technique	Unobservable Input	Range (Weighted Average) (1)
	(dollars in thousands)				
Impaired loans - collateral-dependent (3)	$	715	Fair Market Value of Collateral	Adjustment to Stated Value	N/A (2)
Impaired loans - other (4)	$	128	Discounted Cash Flow	Discount Rate	7.75%
OREO	$	625	Fair Market Value of Collateral	Adjustment to Appraisal Value	N/A (2)

(1) Discount rate used in discounted cash flow valuation.

(2) Quantitative disclosures are not provided for collateral-dependent impaired loans and OREO because there were no adjustments made to the appraisal values or stated values during the current period.

(3) Collateral consists of government agency guarantee.

(4) As there was only one impaired loan remeasured using discounted cash flows, a range of discounts could not be provided.

The following tables summarize carrying amounts and estimated fair values of selected financial instruments by level within the fair value hierarchy at September 30, 2018 and December 31, 2017 :

	September 30, 2018				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(in thousands)				
Assets					
Cash and due from banks	$ 220,706	$ 220,706	$ 220,706	$ —	$ —
Interest-earning deposits with banks	21,456	21,456	21,456	—	—
Debt securities available for sale	2,921,114	2,921,114	247	2,920,867	—
Equity securities	4,901	4,901	4,901	—	—
FHLB stock	16,640	16,640	—	16,640	—
Loans held for sale	5,275	5,275	—	5,275	—
Loans	8,430,530	8,425,433	—	—	8,425,433
Interest rate contracts	10,479	10,479	—	10,479	—
Liabilities					
Time deposits	$ 431,496	$ 423,165	$ —	$ 423,165	$ —
FHLB advances	166,536	166,999	—	166,999	—
Repurchase agreements	62,197	62,197	—	62,197	—
Subordinated debentures	35,508	35,001	—	35,001	—
Interest rate contracts	10,478	10,478	—	10,478	—

	December 31, 2017				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(in thousands)				
Assets					
Cash and due from banks	$ 244,615	$ 244,615	$ 244,615	$ —	$ —
Interest-earning deposits with banks	97,918	97,918	97,918	—	—
Debt securities available for sale	2,737,751	2,737,751	248	2,737,503	—
Equity securities	5,080	5,080	5,080	—	—
FHLB stock	10,440	10,440	—	10,440	—
Loans held for sale	5,766	5,766	—	5,766	—
Loans	8,283,011	8,055,817	—	—	8,055,817
Interest rate contracts	6,707	6,707	—	6,707	—
Liabilities					
Time deposits	$ 491,045	$ 483,095	$ —	$ 483,095	$ —
FHLB advances	11,579	12,281	—	12,281	—
Repurchase agreements	79,059	79,070	—	79,070	—
Subordinated debentures	35,647	35,895	—	35,895	—
Junior subordinated debentures	8,248	8,248	—	8,248	—
Interest rate contracts	6,714	6,714	—	6,714	—

16. 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 and nine months ended September 30, 2018 and 2017 :

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands except per share)			
Basic EPS:				
Net income	$ 46,415	$ 40,769	$ 128,134	$ 97,100
Less: Earnings allocated to participating securities:				
Preferred shares	—	—	—	4
Nonvested restricted shares	504	558	1,413	1,325
Earnings allocated to common shareholders	$ 45,911	$ 40,211	$ 126,721	$ 95,771
Weighted average common shares outstanding	72,427	57,566	72,370	57,459
Basic earnings per common share	$ 0.63	$ 0.70	$ 1.75	$ 1.67
Diluted EPS:				
Earnings allocated to common shareholders	$ 45,911	$ 40,211	$ 126,721	$ 95,771
Weighted average common shares outstanding	72,427	57,566	72,370	57,459
Dilutive effect of equity awards	5	5	4	6
Weighted average diluted common shares outstanding	72,432	57,571	72,374	57,465
Diluted earnings per common share	$ 0.63	$ 0.70	$ 1.75	$ 1.67
Potentially dilutive share options that were not included in the computation of diluted EPS because to do so would be anti-dilutive	—	12	5	13

17. Revenue from Contracts with Customers

Revenue in the scope of Topic 606, *Revenue from Contracts with Customers* is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The vast majority of the Company's revenue is specifically outside the scope of Topic 606. For in-scope revenue, the following is a description of principal activities, separated by the timing of revenue recognition from which the Company generates its revenue from contracts with customers.

a. Revenue earned at a point in time - Examples of revenue earned at a point in time are ATM transaction fees, wire transfer fees, overdraft fees, interchange fees and foreign exchange transaction fees. Revenue is primarily based on the number and type of transactions and is generally derived from transactional information accumulated by our systems and is recognized immediately as the transactions occur or upon providing the service to complete the customer's transaction. The Company is the principal in each of these contracts, with the exception of interchange fees, in which case we are acting as the agent and record revenue net of expenses paid to the principal.

b. Revenue earned over time - The Company earns revenue from contracts with customers in a variety of ways where the revenue is earned over a period of time - generally monthly. Examples of this type of revenue are deposit account maintenance fees, investment advisory fees, merchant revenue and safe deposit box fees. Revenue is generally derived from transactional information accumulated by our systems or those of third-parties and is recognized as the related transactions occur or services are rendered to the customer.

The Company recognizes revenue from contracts with customers when it satisfies its performance obligations. The Company's performance obligations are typically satisfied as services are rendered and our contracts generally do not include multiple performance obligations. As a result, there are no contract balances as payments and services are rendered simultaneously. Payment is generally collected at the time services are rendered, monthly or quarterly. Unsatisfied performance obligations at the report date are not material to our consolidated financial statements.

In certain cases, other parties are involved with providing products and services to our customers. If the Company is principal in the transaction (providing goods or services itself), revenues are reported based on the gross consideration received from the customer and any related expenses are reported gross in noninterest expense. If the Company is an agent in the transaction (arranging for another party to provide goods or services), the Company reports its net fee or commission retained as revenue.

Rebates, waivers and reversals are recorded as a reduction of the transaction price either when the revenue is recognized by the Company or at the time the rebate, waiver or reversal is earned by the customer.

Practical expedients

The Company applies the practical expedient in paragraph 606-10-32-18 and does not adjust the consideration from customers for the effects of a significant financing component if at contract inception the period between when the entity transfers the goods or services and when the customer pays for that good or service will be one year or less.

The Company pays sales commissions to its employees in accordance with certain incentive plans and in connection with obtaining certain contracts with customers. The Company applies the practical expedient in paragraph 340-40-25-4 and expenses such sales commissions when incurred if the amortization period of the asset the Company otherwise would have recognized is one year or less. Sales commissions are included in compensation and employee benefits expense.

For the Company's contracts that have an original expected duration of one year or less, the Company uses the practical expedient in paragraph 606-10-50-14 and has not disclosed the amount of the transaction price allocated to unsatisfied performance obligations as of the end of each reporting period or when the Company expects to recognize this revenue.

Disaggregation of revenue

The following table shows the disaggregation of revenue from contracts with customers for the three and nine month periods ended September 30, 2018 :

	Three Months Ended September 30,	Nine Months Ended September 30,
	2018	2018
	(dollars in thousands)	
Noninterest income:		
Revenue from contracts with customers:		
Deposit account and treasury management fees	$ 9,266	$ 26,689
Card revenue	3,714	16,143
Financial services and trust revenue	2,975	8,924
Total revenue from contracts with customers	15,955	51,756
Other sources of noninterest income	5,064	16,098
Total noninterest income	$ 21,019	$ 67,854

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, 2017 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 may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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. 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, 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 forward-looking statements:

- national and global 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 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;
- interest rate changes could significantly reduce net interest income and negatively affect funding sources;
- projected business increases following strategic expansion 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 and nontraditional providers of financial services could increase significantly;
- continued consolidation in the 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;
- 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;
- natural disasters, including earthquakes, tsunamis, flooding, fires and other unexpected events; 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 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 allowance for loan and lease losses (the "allowance"), business combinations 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's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Allowance for Loan and Lease Losses," "Business Combinations" and "Valuation and Recoverability of Goodwill" in our 2017 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 2017 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 from our broad range of products and services including treasury management, wealth management and debit and credit cards. Our operating expenses consist primarily of compensation and employee benefits, occupancy, 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.

Earnings Summary

Comparison of current quarter to prior year period

The Company reported net income for the third quarter of $46.4 million or $0.63 per diluted common share, compared to $40.8 million or $0.70 per diluted common share for the third quarter of 2017 . Net interest income for the three months ended September 30, 2018 was $122.8 million , an increase of $33.9 million from the prior year period. The increase was a result of higher interest income on loans primarily due to higher loan volumes from our acquisition of Pacific Continental and the rising rate environment. Noninterest income for the current quarter was $21.0 million , a decrease of $16.0 million from the prior year period. The decrease was primarily due to the one-time gain on the sale of the merchant card services portfolio in the third quarter of 2017 and lower card revenue as we became subject to the interchange fee cap imposed under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The provision for loan and lease losses for the third quarter of 2018 was $3.2 million compared to a recapture of $648 thousand during the third quarter of 2017 . The provision expense recorded in the third quarter of 2018 reflected a $3.3 million provision for loans, excluding PCI loans, and a $502 thousand provision recapture from PCI loans.

Total noninterest expense for the quarter ended September 30, 2018 was $82.8 million , an increase from $67.5 million for the third quarter of 2017 . The increase from the prior year period was primarily due to higher compensation and benefits expense and intangible asset amortization expense in the current quarter as a result of the recent Pacific Continental acquisition.

Comparison of current year-to-date to prior year period

Net interest income for the nine months ended September 30, 2018 was $355.0 million , an increase of $93.2 million from the prior year period. The increase was a result of higher interest income on loans primarily due to higher loan volumes from our acquisition of Pacific Continental and the rising rate environment. Noninterest income for the current period was $67.9 million , a decrease of $18.2 million from the prior year period. The decrease was primarily due to the previously noted sale of the merchant card services portfolio and lower card revenue as a result of the interchange fee cap.

The provision for loan and lease losses for the nine months ended September 30, 2018 was $13.0 million compared to a provision of $5.3 million for the first nine months of 2017 . During the current year-to-date period, we recorded a large charge-off in our agricultural portfolio. The $13.0 million provision was due to recording a provision of $15.2 million for loans, excluding PCI loans, and a provision recapture of $2.2 million related to PCI loans.

Total noninterest expense for the nine months ended September 30, 2018 was $253.5 million , a 23% increase from the prior year period. The increase from the prior year period was primarily driven by increased compensation and employee benefits expense and intangible asset amortization expense as a result of the recent Pacific Continental acquisition as well as $4.61 million higher acquisition-related expenses.

Net Interest Income

The following table sets 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 cost of interest-bearing liabilities by category and, in total, net interest income and net interest margin:

	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017		
	Average Balances	Interest Earned / Paid	Average Rate	Average Balances	Interest Earned / Paid	Average Rate
			(dollars in thousands)			
ASSETS						
Loans, net (1)(2)	$ 8,456,632	$ 110,925	5.25%	$ 6,441,537	$ 80,136	4.98%
Taxable securities	2,336,405	14,654	2.51%	1,784,407	8,718	1.95%
Tax exempt securities (2)	513,090	3,885	3.03%	451,828	4,181	3.70%
Interest-earning deposits with banks	20,502	104	2.03%	72,789	226	1.24%
Total interest-earning assets	11,326,629	$ 129,568	4.58%	8,750,561	$ 93,261	4.26%
Other earning assets	228,332			173,611		
Noninterest-earning assets	1,250,170			770,833		
Total assets	$ 12,805,131			$ 9,695,005		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Certificates of deposit	$ 440,196	$ 544	0.49%	$ 382,299	$ 92	0.10%
Savings accounts	889,793	31	0.01%	766,540	19	0.01%
Interest-bearing demand	1,246,592	689	0.22%	1,000,079	223	0.09%
Money market accounts	2,799,719	1,929	0.28%	2,051,662	749	0.15%
Total interest-bearing deposits	5,376,300	3,193	0.24%	4,200,580	1,083	0.10%
Federal Home Loan Bank advances	167,531	966	2.31%	33,687	163	1.94%
Subordinated debentures	35,530	468	5.27%	—	—	—%
Other borrowings and interest-bearing liabilities	41,636	152	1.46%	51,669	128	0.99%
Total interest-bearing liabilities	5,620,997	$ 4,779	0.34%	4,285,936	$ 1,374	0.13%
Noninterest-bearing deposits	5,102,500			3,986,757		
Other noninterest-bearing liabilities	98,317			98,518		
Shareholders' equity	1,983,317			1,323,794		
Total liabilities & shareholders' equity	$ 12,805,131			$ 9,695,005		
Net interest income (tax equivalent)		$ 124,789			$ 91,887	
Net interest margin (tax equivalent)			4.41%			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 $2.5 million and $1.8 million for the three month periods ended September 30, 2018 and 2017 , respectively. The incremental accretion income on acquired loans was $3.2 million and $2.9 million for the three months ended September 30, 2018 and 2017 , respectively.

(2) Tax-exempt income is calculated on a tax equivalent basis at a rate of 21% for 2018 and 35% for 2017. The tax equivalent yield adjustment to interest earned on loans was $1.2 million and $1.5 million for the three months ended September 30, 2018 and 2017 , respectively. The tax equivalent yield adjustment to interest earned on tax exempt securities was $816 thousand and $1.5 million for the three month periods ended September 30, 2018 and 2017 , respectively.

The following table sets 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 cost of interest-bearing liabilities by category and, in total, net interest income and net interest margin:

	Nine Months Ended September 30, 2018			Nine Months Ended September 30, 2017		
	Average Balances	Interest Earned / Paid	Average Rate	Average Balances	Interest Earned / Paid	Average Rate
	(dollars in thousands)					
ASSETS						
Loans, net (1)(2)	$ 8,398,596	$ 321,542	5.10%	$ 6,322,629	$ 232,680	4.91%
Taxable securities	2,202,497	39,285	2.38%	1,835,693	29,172	2.12%
Tax exempt securities (2)	518,128	11,640	3.00%	451,636	12,500	3.69%
Interest-earning deposits with banks	48,922	600	1.64%	31,748	268	1.13%
Total interest-earning assets	11,168,143	$ 373,067	4.45%	8,641,706	$ 274,620	4.24%
Other earning assets	222,570			174,898		
Noninterest-earning assets	1,255,965			772,865		
Total assets	$ 12,646,678			$ 9,589,469		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Certificates of deposit	$ 461,236	$ 1,619	0.47%	$ 389,260	$ 282	0.10%
Savings accounts	881,207	102	0.02%	753,577	57	0.01%
Interest-bearing demand	1,264,918	1,832	0.19%	985,625	574	0.08%
Money market accounts	2,783,498	4,721	0.23%	2,019,278	1,865	0.12%
Total interest-bearing deposits	5,390,859	8,274	0.20%	4,147,740	2,778	0.09%
Federal Home Loan Bank advances	150,054	2,351	2.09%	103,369	979	1.26%
Subordinated debentures	35,577	1,404	5.26%	—	—	—%
Other borrowings	43,453	288	0.88%	54,577	383	0.94%
Total interest-bearing liabilities	5,619,943	$ 12,317	0.29%	4,305,686	$ 4,140	0.13%
Noninterest-bearing deposits	4,969,037			3,889,065		
Other noninterest-bearing liabilities	95,192			100,820		
Shareholders' equity	1,962,506			1,293,898		
Total liabilities & shareholders' equity	$ 12,646,678			$ 9,589,469		
Net interest income (tax equivalent)		$ 360,750			$ 270,480	
Net interest margin (tax equivalent)			4.31%			4.17%

(1) Nonaccrual loans have been included in the table 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 $6.8 million and $5.2 million for the nine months ended September 30, 2018 and 2017 , respectively. The incremental accretion income on acquired loans was $9.9 million and $10.0 million for the nine months ended September 30, 2018 and 2017 , respectively.

(2) Tax-exempt income is calculated on a tax equivalent basis at a rate of 21% for 2018 and 35% for 2017. The tax equivalent yield adjustment to interest earned on loans was $3.4 million and $4.3 million for the nine months ended September 30, 2018 and 2017 , respectively. The tax equivalent yield adjustment to interest earned on tax exempt securities was $2.4 million and $4.4 million for the nine months ended September 30, 2018 and 2017 , 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 September 30, 2018 Compared to 2017 Increase (Decrease) Due to		
	Volume	Rate	Total
		(in thousands)	
Interest Income			
Loans, net (1)	$ 26,230	$ 4,559	$ 30,789
Taxable securities	3,096	2,840	5,936
Tax exempt securities (1)	523	(819)	(296)
Interest earning deposits with banks	(216)	94	(122)
Interest income	$ 29,633	$ 6,674	$ 36,307
Interest Expense			
Deposits:			
Certificates of deposit	$ 15	$ 437	$ 452
Savings accounts	4	8	12
Interest-bearing demand	67	399	466
Money market accounts	343	837	1,180
Total interest on deposits	429	1,681	2,110
Federal Home Loan Bank advances	766	37	803
Subordinated debentures	468	—	468
Other borrowings and interest-bearing liabilities	(17)	41	24
Interest expense	$ 1,646	$ 1,759	$ 3,405

(1) For tax exempt loans and tax exempt securities, the amount of our tax equivalent adjustment for 2018 was impacted by the lower federal corporate tax rate. As a result, our tax equivalent adjustments for tax exempt loans and tax exempt securities were $1.2 million and $837 thousand lower, respectively, than they would have been utilizing the prior federal corporate tax rate. This change in federal corporate tax rate negatively impacted our current quarter net interest margin (tax equivalent) by 7 basis points.

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:

	Nine Months Ended September 30, 2018 Compared to 2017 Increase (Decrease) Due to		
	Volume	Rate	Total
	(in thousands)		
Interest Income			
Loans, net (1)	$ 79,142	$ 9,720	$ 88,862
Taxable securities	6,272	3,841	10,113
Tax exempt securities (1)	1,688	(2,548)	(860)
Interest earning deposits with banks	181	151	332
Interest income	$ 87,283	$ 11,164	$ 98,447
Interest Expense			
Deposits:			
Certificates of deposit	$ 61	$ 1,276	$ 1,337
Savings accounts	11	34	45
Interest-bearing demand	202	1,056	1,258
Money market accounts	889	1,967	2,856
Total interest on deposits	1,163	4,333	5,496
Federal Home Loan Bank advances	560	812	1,372
Subordinated debentures	1,404	—	1,404
Other borrowings	(75)	(20)	(95)
Interest expense	$ 3,052	$ 5,125	$ 8,177

(1) For tax exempt loans and tax exempt securities, the amount of our tax equivalent adjustment for 2018 was impacted by the lower federal corporate tax rate. As a result, our tax equivalent adjustments for tax exempt loans and tax exempt securities were $3.4 million and $2.5 million lower, respectively, than they would have been utilizing the prior federal corporate tax rate. This change in federal corporate tax rate negatively impacted our current year to date net interest margin (tax equivalent) by 7 basis points.

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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(dollars in thousands)			
Incremental accretion income due to:				
FDIC purchased credit impaired loans	$ 585	$ 972	$ 1,240	$ 3,842
Other acquired loans	2,643	1,903	8,703	6,207
Incremental accretion income	$ 3,228	$ 2,875	$ 9,943	$ 10,049
Net interest margin (tax equivalent)	4.41%	4.20%	4.31%	4.17%
Operating net interest margin (tax equivalent) (1)	4.38%	4.15%	4.27%	4.11%

(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 .

Comparison of current quarter to prior year period

Net interest income for the third quarter of 2018 was $122.8 million , up from $88.9 million for the same quarter in 2017 . The increase was primarily due to higher average earning asset volumes stemming from the Pacific Continental acquisition and higher yields on earning assets due to the current rising rate environment. The Company's net interest margin (tax equivalent) increased to 4.41% in the third quarter of 2018 , from 4.20% for the prior year period. This increase was due to higher yields on earning assets as described above offset by a 7 basis point reduction related to a lower federal corporate tax rate. The Company's operating net interest margin (tax equivalent) (see footnote 1 in prior table) increased to 4.38% from 4.15% due to higher rates on interest earning assets, which more than offset the increase in rates on interest-bearing liabilities.

Comparison of current year-to-date to prior year period

Net interest income for the nine months ended September 30, 2018 was $355.0 million , an increase of 36% from $261.8 million for the prior year period. The increase in net interest income was primarily due to higher average earning asset volumes stemming from the Pacific Continental acquisition and the rising rate environment mentioned above. The Company's net interest margin (tax equivalent) increased to 4.31% for the first nine months of 2018 , from 4.17% for the prior year period. The increase in the Company's net interest margin (tax equivalent) was driven by higher earning asset volumes and higher earning asset yields, offset by a 7 basis point reduction due to the lower federal corporate tax rate. The Company's operating net interest margin (tax equivalent) for the nine months ended September 30, 2018 increased to 4.27% from 4.11% also due to higher earning asset yields and volumes.

Provision for Loan and Lease Losses

Comparison of current quarter to prior year period

During the third quarter of 2018 , the Company recorded a $3.2 million net provision compared to a $648 thousand net recapture during the third quarter of 2017 . The $3.2 million net provision for loan and lease losses recorded during the current quarter was due to a provision expense of $3.3 million for loans, excluding PCI loans. partially offset by a provision recapture of $502 thousand for PCI loans. The $3.3 million provision for loans, excluding PCI loans, was mainly due to loan growth. The provision recapture recorded relating to PCI loans was due to the increase 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 measured during the second quarter of 2018. The amount of provision was calculated in accordance with the Company's methodology for determining the allowance, discussed in Note 6 to the Consolidated Financial Statements in "Item 1. Financial Statements (unaudited)" of this report.

Comparison of current year-to-date to prior year period

The provision for loan and lease losses for the nine months ended September 30, 2018 was $13.0 million compared to $5.3 million during the same period in 2017 . The $13.0 million provision expense for loans recorded for the current year-to-date period included a provision of $15.2 million for loans, excluding PCI loans, partially offset by a provision recapture of $2.2 million related to PCI loans. The provision of $15.2 million related to loans, excluding PCI loans, was due to the combination of loan growth and net loan charge-offs experienced in the period. During the current year-to-date period, we recorded a large charge-off in our agricultural portfolio. The $2.2 million in provision recapture for PCI loans was primarily due to the increase in the present value of expected future cash flows as remeasured during the current period, compared to the present value of expected future cash flows at the end of 2017 , net of activity during the period. The amount of provision was calculated in accordance with the Company's methodology for determining the allowance, 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 September 30,				Nine Months Ended September 30,			
	2018	2017	$ Change	% Change	2018	2017	$ Change	% Change
	(dollars in thousands)							
Deposit account and treasury management fees	$ 9,266	$ 7,685	$ 1,581	21 %	$ 26,689	$ 22,368	$ 4,321	19 %
Card revenue (1)	3,714	6,735	(3,021)	(45)%	16,143	18,660	(2,517)	(13)%
Financial services and trust revenue	2,975	2,645	330	12 %	8,924	8,520	404	5 %
Loan revenue	3,282	3,154	128	4 %	9,522	9,736	(214)	(2)%
Merchant processing revenue	—	—	—	— %	—	4,283	(4,283)	(100)%
Bank owned life insurance	1,402	1,290	112	9 %	4,540	4,003	537	13 %
Investment securities losses, net	(62)	—	(62)	100 %	(73)	—	(73)	100 %
Change in FDIC loss-sharing asset	—	—	—	— %	—	(447)	447	(100)%
Gain on sale of merchant card services portfolio	—	14,000	(14,000)	(100)%	—	14,000	(14,000)	(100)%
Other	442	1,558	(1,116)	(72)%	2,109	4,938	(2,829)	(57)%
Total noninterest income	$ 21,019	$ 37,067	$ (16,048)	(43)%	$ 67,854	$ 86,061	$ (18,207)	(21)%

(1) Beginning in the first quarter of 2018 and pursuant to the adoption of new revenue recognition accounting guidance, interchange revenue, included in "Card revenue" above, is presented net of related payment card network expenses. For the three and nine months ended September 30, 2018 , $1.3 million and $3.8 million, respectively, of such expenses were netted from "Card revenue."

Comparison of current quarter to prior year period

Noninterest income was $21.0 million for the third quarter of 2018 , compared to $37.1 million for the same period in 2017 . The decrease was primarily due to the $14.0 million one-time gain on sale of the merchant card services portfolio in the third quarter of 2017 in addition to lower card revenue as we became subject to the interchange fee cap imposed under the Dodd-Frank Wall Street Reform and Consumer Protection Act as of July 1, 2018. As a result of the merchant card services portfolio sale, we now share with the buyer in merchant services revenue and include such amounts in "Card revenue." For the current quarter, this net revenue share was $955 thousand, offset by payment card network expenses (see footnote 1 in prior table).

Comparison of current year-to-date to prior year period

For the nine months ended September 30, 2018 , noninterest income was $67.9 million compared to $86.1 million for the same period in 2017 . The decrease was due to the previously noted sale of the merchant card services portfolio and lower card revenue offset by an increase in treasury management fees. For the current year period, the net revenue share of merchant services revenue included in "Card revenue" was $2.5 million.

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 September 30,				Nine Months Ended September 30,			
	2018	2017	$ Change	% Change	2018	2017	$ Change	% Change
	(dollars in thousands)							
Compensation and employee benefits	$ 49,419	$ 39,983	$ 9,436	24%	$ 148,938	$ 119,201	$ 29,737	25 %
Occupancy	8,321	8,085	236	3%	27,718	22,853	4,865	21 %
Merchant processing expense	—	—	—	—%	—	2,196	(2,196)	(100)%
Advertising and promotion	1,472	969	503	52%	4,523	2,923	1,600	55 %
Data processing	4,466	4,122	344	8%	14,957	13,071	1,886	14 %
Legal and professional services	4,695	2,880	1,815	63%	12,103	9,196	2,907	32 %
Taxes, license and fees	1,562	1,505	57	4%	4,547	3,494	1,053	30 %
Regulatory premiums	904	782	122	16%	2,778	2,299	479	21 %
Net cost of operation of other real estate owned	485	271	214	79%	1,244	422	822	195 %
Amortization of intangibles	3,070	1,188	1,882	158%	9,346	3,786	5,560	147 %
Other (1)	8,447	7,752	695	9%	27,317	25,949	1,368	5 %
Total noninterest expense	$ 82,841	$ 67,537	$ 15,304	23%	$ 253,471	$ 205,390	$ 48,081	23 %

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(1) In the first quarter of 2018, there was a change to net presentation of interchange revenue pursuant to the adoption of new revenue recognition accounting guidance on January 1, 2018. As a result, card revenue for the three and nine month periods ended September 30, 2018 includes $1.3 million and $3.8 million, respectively, of payment card network expenses that would have historically been presented in other noninterest expense.

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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
Acquisition-related expenses:				
Compensation and employee benefits	$ 923	$ 3	$ 3,410	$ 3
Occupancy	29	593	1,619	945
Advertising and promotion	—	184	534	201
Data processing	20	66	941	539
Legal and professional fees	102	157	893	1,587
Taxes, licenses and fees	—	—	—	3
Other	7	168	771	280
Total impact of acquisition-related expense to noninterest expense	$ 1,081	$ 1,171	$ 8,168	$ 3,558

Comparison of current quarter to prior year period

Total noninterest expense for the third quarter of 2018 was $82.8 million , an increase of $15.3 million from the prior year period. The increase was due to higher compensation and benefits expense in the current quarter and an increase in amortization of intangibles, both a result of the recent Pacific Continental acquisition.

Comparison of current year-to-date to prior year period

For the nine months ended September 30, 2018 , noninterest expense was $253.5 million , an increase of $48.1 million , or 23% , from $205.4 million a year earlier. The increase from the prior year period was driven by higher compensation and employee benefits, an increase in amortization of intangibles as well as $4.61 million higher acquisition-related expenses, all as a result of the recent Pacific Continental acquisition.

Income Taxes

We recorded an income tax provision of $11.4 million for the third quarter of 2018 , compared to a provision of $18.3 million for the same period in 2017 , with effective tax rates of 20% for the third quarter of 2018 and 31% for the same period in 2017 . For the nine months ended September 30, 2018 and 2017 , we recorded income tax provisions of $28.2 million and $40.0 million , respectively, with effective tax rates of 18% for the current year and 29% for the prior year period. The decrease in our effective tax rate was principally attributable to the enactment of the Tax Cuts and Jobs Act on December 22, 2017, which reduced the federal corporate tax rate to 21%. 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 lower than 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 additional information, please refer to the Company's annual report on Form 10-K for the year ended December 31, 2017 .

FINANCIAL CONDITION

Total assets were $12.96 billion at September 30, 2018 , an increase of $239.7 million from $12.72 billion at December 31, 2017 . Cash and cash equivalents decreased $100.4 million . Loans increased $155.7 million during the current year, which was primarily the result of increased loan production, offset by payments. Debt securities available for sale were $2.92 billion at September 30, 2018 , an increase of $183.4 million from December 31, 2017 . Total liabilities were $10.98 billion as of September 30, 2018 , an increase of $208.2 million from $10.77 billion at December 31, 2017 . The increase was primarily due to an increase in FLHB advances.

Investment Securities

At September 30, 2018 , the Company's investment portfolio primarily consisted of debt securities available for sale totaling $2.92 billion compared to $2.74 billion at December 31, 2017 . The increase in the debt securities portfolio from year-end is due to $606.1 million in purchases, partially offset by $344.2 million in maturities, repayments and sales, a $62.7 million increase in net unrealized loss and $15.8 million in premium amortization. The average duration of our debt securities investment portfolio was approximately 4 years and 3 months at September 30, 2018 . 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 management 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 securities available for sale 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 September 30, 2018 , the market value of debt securities available for sale had a net unrealized loss of $88.3 million compared to a net unrealized loss of $25.6 million at December 31, 2017 . The change in valuation was the result of fluctuations in market interest rates during the nine months ended September 30, 2018 . At September 30, 2018 , the Company had $2.77 billion of debt securities available for sale with gross unrealized losses of $90.5 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:

	September 30, 2018	December 31, 2017
	(in thousands)	
Debt securities available for sale:		
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 1,928,832	$ 1,726,725
State and municipal securities	567,818	596,004
U.S. government agency and government-sponsored enterprise securities	424,217	414,774
U.S. government securities	247	248
Total debt securities available for sale	$ 2,921,114	$ 2,737,751
Equity securities	4,901	5,080
Total investment securities	$ 2,926,015	$ 2,742,831

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 “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 2017 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 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:

	September 30, 2018	% of Total	December 31, 2017	% of Total
		(dollars in thousands)		
Commercial business	$ 3,554,147	41.7 %	$ 3,377,324	40.4 %
Real estate:				
One-to-four family residential	232,924	2.7 %	188,396	2.3 %
Commercial and multifamily residential	3,786,615	44.5 %	3,825,739	45.8 %
Total real estate	4,019,539	47.2 %	4,014,135	48.1 %
Real estate construction:				
One-to-four family residential	211,629	2.5 %	200,518	2.4 %
Commercial and multifamily residential	349,328	4.1 %	371,931	4.4 %
Total real estate construction	560,957	6.6 %	572,449	6.8 %
Consumer	327,863	3.9 %	334,190	4.0 %
Purchased credit impaired	95,936	1.1 %	112,670	1.3 %
Subtotal	8,558,442	100.5 %	8,410,768	100.6 %
Less: Net unearned income	(44,125)	(0.5)%	(52,111)	(0.6)%
Loans, net of unearned income (before Allowance for Loan and Lease Losses)	$ 8,514,317	100.0 %	$ 8,358,657	100.0 %
Loans held for sale	$ 5,275		$ 5,766	

Total loans increased $155.7 million from year-end 2017 primarily the result of organic loan production, partially offset by principal pay downs. The loan portfolio continues to be diversified, with the intent to mitigate risk by monitoring concentration in any one sector. The $44.1 million in unearned income recorded at September 30, 2018 was comprised of $27.5 million in net purchase discounts and $16.6 million in net deferred loan fees. The $52.1 million in unearned income recorded at December 31, 2017 consisted of $36.3 million in net purchase discounts and $15.8 million in net deferred loan fees.

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

	September 30, 2018	December 31, 2017
Acquisition:	*(in thousands)*	
Pacific Continental	$ 19,807	$ 24,556
Intermountain	2,565	3,892
West Coast	5,183	7,995
Other	(12)	(134)
Total net discount at period end	$ 27,543	$ 36,309

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 4 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.

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

	September 30, 2018	December 31, 2017
	(in thousands)	
Nonperforming assets		
Nonaccrual loans:		
Commercial business	$ 45,753	$ 45,460
Real estate:		
One-to-four family residential	501	785
Commercial and multifamily residential	11,012	13,941
Total real estate	11,513	14,726
Real estate construction:		
One-to-four family residential	318	1,854
Consumer	2,748	4,149
Total nonaccrual loans	60,332	66,189
Other real estate owned and other personal property owned	7,415	13,298
Total nonperforming assets	$ 67,747	$ 79,487
Loans, net of unearned income	$ 8,514,317	$ 8,358,657
Total assets	$ 12,956,596	$ 12,716,886
Nonperforming loans to period end loans	0.71%	0.79%
Nonperforming assets to period end assets	0.52%	0.63%

At September 30, 2018 , nonperforming assets were $67.7 million , compared to $79.5 million at December 31, 2017 . Nonperforming assets decreased $11.7 million during the nine months ended September 30, 2018 . This decrease was primarily due to $6.5 million in OREO sales and a $5.9 million decrease in nonaccrual loans. For further information on OREO, see Note 7 of the Consolidated Financial Statements in “Item 1. Financial Statements (unaudited)” of this report.

Allowance for Loan and Lease Losses

The allowance for loan and lease losses (“ALLL”) is an accounting estimate of incurred credit losses in our loan portfolio at the balance sheet date. The provision for loan and lease losses is the expense recognized in the Consolidated Statements of Income to adjust the allowance to the levels deemed appropriate by management, as measured by the Company’s credit loss estimation methodologies. The allowance for unfunded commitments and letters of credit is maintained at a level believed by management to be sufficient to absorb estimated probable losses related to these unfunded credit facilities at the balance sheet date.

At September 30, 2018 , our allowance was $83.8 million , or 0.98% of total loans (excluding loans held for sale). This compares with an allowance of $75.6 million , or 0.91% of total loans (excluding loans held for sale) at December 31, 2017 and an allowance of $71.6 million or 1.10% of total loans (excluding loans held for sale) at September 30, 2017 .

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
	(in thousands)			
Beginning balance, loans excluding PCI loans	$ 75,368	$ 64,923	$ 68,739	$ 59,528
Beginning balance, PCI loans	4,782	8,061	6,907	10,515
Beginning balance	80,150	72,984	75,646	70,043
Charge-offs:				
Commercial business	(606)	(1,362)	(8,858)	(6,089)
One-to-four family residential	—	—	—	(460)
Commercial and multifamily residential	—	—	(223)	—
One-to-four family residential construction	—	—	—	(14)
Consumer	(277)	(263)	(773)	(1,156)
PCI loans	(1,208)	(1,633)	(3,786)	(5,372)
Total charge-offs	(2,091)	(3,258)	(13,640)	(13,091)
Recoveries:				
Commercial business	547	688	2,892	3,997
One-to-four family residential	21	40	389	380
Commercial and multifamily residential	213	58	1,012	263
One-to-four family residential construction	583	20	616	107
Consumer	266	343	796	876
PCI loans	945	1,389	3,096	3,737
Total recoveries	2,575	2,538	8,801	9,360
Net recoveries (charge-offs)	484	(720)	(4,839)	(3,731)
Provision (recapture) for loan and lease losses, loans excluding PCI loans	3,655	(175)	15,180	6,840
Recapture for loan and lease losses, PCI loans	(502)	(473)	(2,200)	(1,536)
Provision (recapture) for loan and lease losses	3,153	(648)	12,980	5,304
Ending balance, loans excluding PCI loans	79,770	64,272	79,770	64,272
Ending balance, PCI loans	4,017	7,344	4,017	7,344
Ending balance	$ 83,787	$ 71,616	$ 83,787	$ 71,616
Total loans, net at end of period, excluding loans held of sale	$ 8,514,317	$ 6,512,006	$ 8,514,317	$ 6,512,006
Allowance for loan and lease losses to period-end loans	0.98%	1.10%	0.98%	1.10%
Allowance for unfunded commitments and letters of credit				
Beginning balance	$ 3,680	$ 3,555	$ 3,130	$ 2,705
Net changes in the allowance for unfunded commitments and letters of credit	275	(75)	825	775
Ending balance	$ 3,955	$ 3,480	$ 3,955	$ 3,480

Liquidity and Sources of Funds

Our primary sources of funds are customer deposits. Additionally, we utilize advances from the FHLB of Des Moines ("FHLB"), the Federal Reserve Bank of San Francisco ("FRB"), and sweep 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.

In addition, we have a shelf registration statement on file with the Securities and Exchange Commission registering an unspecified amount of any combination of debt or equity securities, depositary shares, purchase contracts, units and warrants in one or more offerings. Specific information regarding the terms of and the securities being offered will be provided at the time of any offering. Proceeds from any future offerings are expected to be used for general corporate purposes, including, but not limited to, the repayment of debt, repurchasing or redeeming outstanding securities, working capital, funding future acquisitions or other purposes identified at the time of any offering.

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 $250,000) increased $45.1 million from year-end 2017 .

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 September 30, 2018 , brokered and other wholesale deposits (excluding public deposits) totaled $429.4 million , or 4.0% of total deposits, compared to $392.9 million or 3.7% at year-end 2017 . These deposits have varied maturities.

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

	September 30, 2018		December 31, 2017	
	Balance	% of Total	Balance	% of Total
	(dollars in thousands)			
Core deposits:				
Demand and other noninterest-bearing	$ 5,250,222	49.5%	$ 5,081,901	48.2%
Interest-bearing demand	1,260,543	11.9%	1,265,212	12.0%
Money market	2,413,185	22.8%	2,543,712	24.2%
Savings	908,945	8.6%	861,941	8.2%
Certificates of deposit, less than $250,000	251,792	2.4%	286,791	2.7%
Total core deposits	10,084,687	95.2%	10,039,557	95.3%
Certificates of deposit, $250,000 or more	90,387	0.9%	100,399	1.0%
Certificates of deposit insured by CDARS ®	23,841	0.2%	25,374	0.2%
Brokered certificates of deposit	65,476	0.6%	78,481	0.7%
Reciprocal money market accounts	340,044	3.1%	289,031	2.8%
Subtotal	10,604,435	100.0%	10,532,842	100.0%
Discount resulting from acquisition date fair value adjustment	(478)		(757)	
Total deposits	$ 10,603,957		$ 10,532,085	

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 investment securities, and residential, commercial and commercial real estate loans. At September 30, 2018 , we had FHLB advances of $166.5 million compared to $11.6 million at December 31, 2017 .

We also utilize wholesale and retail repurchase agreements to supplement our funding sources. Our wholesale repurchase agreements are secured by mortgage-backed securities. At September 30, 2018 and December 31, 2017 , we had deposit customer sweep-related repurchase agreements of $62.2 million and $54.1 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 September 30, 2018 , we had commitments to extend credit of $2.55 billion compared to $2.67 billion at December 31, 2017 .

Capital Resources

Shareholders' equity at September 30, 2018 was $1.98 billion , essentially unchanged from December 31, 2017 . Shareholders' equity was 15% of total period-end assets at both September 30, 2018 and December 31, 2017 .

Regulatory Capital

In July 2013, the federal bank regulators approved the New Capital Rules (as discussed in our 2017 Annual Report on Form 10-K, "Item 1. Business—Supervision and Regulation and —Regulatory Capital Requirements"), which implement the Basel III capital framework and various provisions of the Dodd-Frank Act. We and the Bank were required to comply with these rules as of January 1, 2015, subject to the phase-in of certain provisions. We believe that, as of September 30, 2018 , we and the Bank would meet all capital adequacy requirements under the New Capital Rules on a fully phased-in basis as if all such requirements were then in effect.

FDIC regulations set forth the qualifications necessary for a bank to be classified as "well-capitalized," primarily for assignment of FDIC insurance premium rates. Failure to qualify as "well-capitalized" can negatively impact a bank's ability to expand and to engage in certain activities. The Company and the Bank qualified as "well-capitalized" at September 30, 2018 and December 31, 2017 .

The following table presents the capital ratios and the capital conservation buffer, as applicable, for the Company and its banking subsidiary at September 30, 2018 and December 31, 2017 :

	Company		Columbia Bank	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Common equity tier 1 (CET1) risk-based capital ratio	12.4399%	11.7421%	12.6699%	12.0133%
Tier 1 risk-based capital ratio	12.4399%	11.8196%	12.6699%	12.0133%
Total risk-based capital ratio	13.6815%	12.9796%	13.5540%	12.8123%
Leverage ratio	10.2418%	10.9611%	10.4320%	10.8186%
Capital conservation buffer	5.6815%	4.9796%	5.5540%	4.8123%

Stock Repurchase Program

On September 27, 2017, the Board of Directors approved a stock repurchase program. The program authorizes the Company to repurchase up to 2.9 million shares of our outstanding common stock. The Company intends to purchase the shares from time to time in the open market or in private transactions, under conditions which allow such repurchases to be accretive to earnings per share while maintaining capital ratios that exceed the guidelines for a well-capitalized financial institution.

Non-GAAP Financial Measures

The Company considers operating net interest margin (tax equivalent) to be a useful measurement as it more closely reflects the ongoing operating performance of the Company. Additionally, presentation of the operating net interest margin allows readers to compare certain aspects of the Company's net interest margin to other organizations that may not have had significant acquisitions. Despite the usefulness 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. 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 September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Operating net interest margin non-GAAP reconciliation:	*(dollars in thousands)*			
Net interest income (tax equivalent) (1)	$ 124,789	$ 91,887	$ 360,750	$ 270,480
Adjustments to arrive at operating net interest income (tax equivalent):				
Incremental accretion income on FDIC purchased credit impaired loans	(585)	(972)	(1,240)	(3,842)
Incremental accretion income on other acquired loans	(2,643)	(1,903)	(8,703)	(6,207)
Premium amortization on acquired securities	1,859	1,527	6,065	4,658
Interest reversals on nonaccrual loans	477	311	1,147	1,323
Operating net interest income (tax equivalent) (1)	$ 123,897	$ 90,850	$ 358,019	$ 266,412
Average interest earning assets	$ 11,326,629	$ 8,750,561	$ 11,168,143	$ 8,641,706
Net interest margin (tax equivalent) (1)	4.41%	4.20%	4.31%	4.17%
Operating net interest margin (tax equivalent) (1)	4.38%	4.15%	4.27%	4.11%

(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 $2.0 million and $3.0 million for the three months ended September 30, 2018 and 2017 , respectively, and an addition to net interest income of $5.8 million and $8.7 million for the nine months ended September 30, 2018 and 2017 . The amount of our tax equivalent adjustment for 2018 was impacted by the lower federal corporate tax rate. As a result, for the three and nine months ended September 30, 2018 , our tax equivalent adjustments for tax exempt loans was lower by $1.2 million and $3.4 million, respectively, and tax exempt securities was lower by $837 thousand and $2.5 million, respectively, than they would have been utilizing the prior federal corporate tax rate. This change in federal corporate tax rate negatively impacted both our current quarter and current year-to-date net interest margin (tax equivalent) by 7 basis points.

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 September 30, 2018 , 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, 2017 . For additional information, refer to Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2017 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 Control 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 control over financial reporting.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company and its subsidiaries are party to routine litigation arising in the ordinary course of business. Management believes that, based on information currently known to it, any liabilities arising from such litigation will not have a material adverse impact on the Company's financial conditions, results of operations or cash flows.

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, 2017 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 September 30, 2018 :

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 Yet Be Purchased Under the Plan (2)
7/1/2018 - 7/31/2018	75	$ 42.52	—	2,900,000
8/1/2018 - 8/31/2018	162	42.27	—	2,900,000
9/1/2018 - 9/30/2018	576	39.93	—	2,900,000
	813	$ 40.63	—	

(1) Common shares repurchased by the Company during the quarter consisted of cancellation of 813 shares of common stock to pay the shareholders' withholding taxes.

(2) The repurchase plan, which was approved in 2017, authorized the Company to repurchase up to 2.9 million shares of its outstanding common stock.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

10.1**+	Columbia State Bank Supplemental Executive Retirement Plan Agreement, by and between the Bank and Gregory A. Sigrist, effective July 25, 2018
10.2**+	Columbia State Bank Endorsement Method Split Dollar Agreement (SERP Benefit), by and between the Bank and Gregory A. Sigrist, effective July 25, 2018
10.3**+	Columbia State Bank Endorsement Method Split Dollar Agreement (Base Salary Benefit), by and between the Bank and Gregory A. Sigrist, effective July 25, 2018
10.4**+	First Amendment to Amended and Restated Employee Stock Purchase Plan of Columbia Banking System, Inc., dated as of September 26, 2018
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 September 30, 2018 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: November 6, 2018	By	/s/ HADLEY S. ROBBINS
		Hadley S. Robbins President and Chief Executive Officer (Principal Executive Officer)
Date: November 6, 2018	By	/s/ GREGORY A. SIGRIST
		Gregory A. Sigrist Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: November 6, 2018	By	/s/ BROCK M. LAKELY
		Brock M. Lakely Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
(By and Between Columbia State Bank and Gregory A. Sigrist)

ARTICLE I
PURPOSE AND EFFECTIVE DATE

This Columbia State Bank Supplemental Executive Retirement Plan Agreement (hereinafter “Agreement”), entered into this July 25th, 2018 by and between **Columbia State Bank** (hereinafter “Bank” or “Employer”) and Gregory A. Sigrist (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" of the Plan and, solely for the purposes of ERISA (as defined below), the "fiduciary" of this Agreement where a fiduciary is required by ERISA. Additionally, the administrative duties are discussed in more detail in Article VII.

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 Executive Separates From Service or Terminates Employment with the Bank or (b) the circumstances described herein. The actual Executive Benefit to which Executive is entitled will be determined based on both the date of Separation From Service (or Disability) and the circumstances of such Separation From Service. While the following chart reflects the Applicable Percentage as of the specified date for the given year, it is the intent of the parties that a Separation From Service at any time during the calendar year shall result in a pro-rated increase in the Applicable Percentage using a methodology which is consistent with the reduction under Paragraph 2.13. Subject to the forgoing, the Applicable Percentage shall be determined as follows:

DATE OF SEPARATION FROM SERVICEAPPLICABLE PERCENTAGE

July 1, 2018 through June 30, 2021	0%
July 1, 2021	15%
July 1, 2022	20%
July 1, 2023	25%
July 1, 2024	30%
July 1, 2025	35%
July 1, 2026	40%
July 1, 2027	45%
July 1, 2028	50%
July 1, 2029	55%
July 1, 2030	60%
July 1, 2031	65%
July 1, 2032	70%
July 1, 2033	75%
July 1, 2034	80%
July 1, 2035	85%
July 1, 2036	90%
July 1, 2037	95%
July 1, 2038 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 the Bank and (ii) deferrals of compensation made at Executive's election pursuant to a plan or arrangement of the Bank.

2.5 **Beneficiary(ies) .** The individual(s) or entities designated to receive any Executive Benefit due upon Executive's death. The Beneficiary(ies) shall be designated in accordance with the provisions of Article IX.

2.6 **Board.** "Board" means the Board of Directors of Columbia State Bank.

2.7 **Change in Control.** For the purposes 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. <u>Change in the Ownership of a Corporation.</u> 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. <u>Change in the Effective Control of a Corporation.</u> A change in the effective control of the corporation shall be deemed to occur on either of the following dates:

(1) 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

(2) 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. <u>Change in the Ownership of a Substantial Portion of a Corporation's Assets.</u> 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 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 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.

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

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

2.10 **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."

2.11 **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 the Bank, including without limitation any bank or financial institution (including without limitation any trust company, finance company, or leasing company).

2.12 **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. IRC 409A currently provides the following definition of Disability:

A. 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. 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 Bank's Employees.

In the event a disability policy has been purchased by the Bank 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 Administrator shall make a good faith determination of Disability in a manner consistent with that required under IRC 409A.

2.13 **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 ½ = 2.5; 2.5 x 5%= 12.5%).

2.14 **Early Retirement Age.** The "Early Retirement Age" shall be age sixty-two (62).

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

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

2.17 **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 the Bank 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.

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

2.19 **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. Amounts actually received by Executive, however, shall be determined pursuant to Articles IV-VI, 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).

2.20 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 Executive's services, other than due to Executive's implicit or explicit request, where Executive was willing and able to continue performing services (and not as the result of a Disability of a Termination for Cause).

2.21 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.

2.22 Normal Retirement / Normal Retirement Age. The term "Normal Retirement" shall mean 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 Disability, or pursuant to the provisions of Paragraph 5.4.

2.23 Participant/Executive. For the purposes of this Agreement, the terms "Executive" and "Participant" shall be interchangeable.

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

2.25 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 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 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.

2.26 **<u>Specified Employee.</u>** 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.

2.27 **<u>Target Benefit Amount.</u>** For the purposes of this Agreement, and unless provided otherwise, 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, the 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.

2.28 **<u>Termination For Cause.</u>** The term "Termination for Cause" shall be defined as it is in any current employment agreement between the Bank 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 the Bank or a financial institution subsidiary; or
C. Conviction of a felony.

2.29 **<u>Termination For Good Reason.</u>** 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 Executive's consent:

A. A material diminution in Executive's total compensation;

B.A material diminution in 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 the Bank 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 the Bank 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”.

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

2.31 **Years of Service.** The term “Years of Service” shall mean the consecutive twelve (12) 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 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 the Bank, this Agreement shall not be deemed to constitute a contract of employment between Executive and the Bank, nor shall any provision of this Agreement restrict or expand the right of the Bank to terminate Executive's employment. This Agreement shall have no impact or effect upon any separate written employment agreement which Executive may have with the Bank, 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 the Bank'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 Bank 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 Separation From Service, then a payment conditioned upon 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 Executive's death).

If payments to which Executive would otherwise be entitled during the first 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 day of the seventh 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 Bank and 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.** In compliance with IRC 409A, and Subject to Bank approval as to the form of annuity payment offered, Executive may change the form of an annuity payment (before any payment has been made) from one type of life annuity to another type of annuity with the same scheduled date for the first annuity payment, and such change will not be considered a change in the time or form of a payment provided that the annuities are actuarially equivalent applying reasonable actuarial methods and assumptions.

The Distribution Election Form (Exhibit B attached hereto, and as may be modified by the Bank from time to time) shall provide details and options regarding joint and survivor annuity options that may be elected. Again, an annuity modification under this Paragraph must be actuarially equivalent in value in accordance with IRC 409A, and the payment commencement date shall remain unchanged. Furthermore, any election to use an alternate annuity payment method must be made prior to the payment commencement 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. If, however, an approved joint and survivor annuity option is elected and Executive's spouse pre-deceases Executive after payments have begun, then for all payments made to Executive after the death of their spouse, 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 to then designate a new spouse and reinstate joint life annuity payments. Exhibit C attached hereto provides illustrations regarding possible payment amounts depending on the type of annuity elected. Exhibit C is not a guarantee of benefit amounts.

4.3 Withholding of Payroll Taxes. The Bank 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 or Disability shall determine which provision 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) multiplied by the Target Benefit Amount. In addition to the forgoing, the annual Executive Benefit 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 payments.

B. Payment Method . 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 Executive's death. 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 (and other than following a Change in Control). 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 (and other than following a Change in Control), 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 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 (and other than following a Change in Control), then Executive shall be entitled to receive an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) multiplied by the Target Benefit Amount; however, this amount shall be reduced by the Early Commencement Reduction Factor. In addition, 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 payments.

(2) Voluntary Termination Without Ten Years of Service. If 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 they 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 day of the first month following Executive's Separation From Service and continuing until Executive's death. 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 (and other than following a Change in Control). Subject to the provisions of Article VI below, in the event Executive Separates From Service prior to attaining the Early Retirement Age and as a result of either a Voluntary or Involuntary Termination (and absent a Change in Control), then the Executive Benefit to which Executive is entitled shall be determined as follows:

A. Benefit Amount.

(1) Involuntary Termination or Voluntary Termination After Achieving an Applicable Percentage of One Hundred Percent (100%). If, prior to attaining the Early Retirement Age, Executive is Involuntarily Terminated or Voluntarily Terminates after achieving an Applicable Percentage of one hundred percent (100%), then they 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) multiplied by the Target Benefit Amount, assuming a payment commencement date of the

first day of the first 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 Prior to Achieving an Applicable Percentage of One Hundred Percent. If Executive Voluntarily Terminates employment with the Bank prior to attaining the Early Retirement Age and prior to achieving an Applicable Percentage of one hundred percent (100%), then they shall forfeit any and all rights and benefits they 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 Executive by the Bank pursuant to the terms of this Agreement.

B. Payment Method. Any amounts due under this Paragraph 5.3 shall be paid in one (1) lump sum one (1) year following Separation From Service.

5.4 Separation From Service Following a Change in Control. In the event of a Separation From Service at any time following a Change in Control (other than a Termination for Cause or a payment triggered by Disability), then the Executive Benefit to which Executive is entitled shall be determined as follows:

A. **Benefit Amount.**

(1) Involuntary Termination or Termination for Good Reason. If Executive is Involuntarily Terminated or Terminates for Good Reason following a Change in Control and prior to attaining the Normal Retirement Age, then they shall be entitled to receive an annual amount calculated as follows: the Applicable Percentage multiplied by the Target Benefit Amount; however, in this circumstance, the Applicable Percentage shall be deemed to be that percentage Executive would have achieved had they Remained Employed until the Normal Retirement Age. If, in the alternative, 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 they shall be entitled to receive an annual amount equal to the Applicable Percentage multiplied by the Target Benefit Amount, with the Applicable Percentage determined pursuant to the provisions of Paragraph 2.3. 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 Age, shall be subject to the Early Commencement Reduction Factor. Furthermore, Executive shall NOT be subject to the non-compete provisions of Article VI below.

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

(i) If, at the time of such Voluntary Separation From Service, Executive has (a) attained the Early Retirement Age and completed ten (10) Years of Service, or (b) attained at least the Normal Retirement Age, or (c) achieved an Applicable Percentage of one hundred percent (100%), then they shall receive an annual amount calculated as follows: the Applicable Percentage (as of the Separation From Service date) multiplied by the Target Benefit Amount. 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 Age, shall be subject to the Early Commencement Reduction Factor. Furthermore, Executive shall be subject to the provisions of Article VI below.

(ii) If Executive Voluntarily Separates From Service following a Change in Control but does not satisfy the requirements of Paragraph 5.4A(2)(i) above, then they shall forfeit all rights and benefits they 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 occurring within two (2) years following a Change in Control. If, however no such election is made at the time this Agreement, and absent any valid and subsequent IRC 409A compliant election, then any Executive Benefit payment made pursuant to this Paragraph 5.4 shall be paid as specified below in subparagraph 5.4B(2). Furthermore, and regardless of whether Executive elects the following option under this subparagraph 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 in 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 day of the first 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 day of the first month following Separation From Service.

(2) If Executive's Separation From Service occurs after the expiration of the two (2) year window following a Change in Control, or if Executive did not elect the payment option specified above under Paragraph 5.4B(1), then the Executive Benefit payable pursuant to the terms of this Paragraph 5.4 shall be paid as follows and depending upon Executive's age at the time of Separation From Service:

(i) If Executive has attained at least the Early Retirement Age at the time of Separation From Service , then annual Executive Benefit payments 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 Executive's death. The forgoing Executive Benefit shall be subject to the Early Commencement Reduction Factor and 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. Pursuant to Paragraph 4.2, Executive shall have the ability to timely select an alternate form of annuity payment.

(ii) If 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 day of the first 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 on the date which is one (1) year following Separation From Service.

5.5 Disability.

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

(1) If Executive becomes Disabled prior to attaining the Normal Retirement Age, then they shall 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 they remained employed until the Normal Retirement Age, multiplied by the Target Benefit Amount, 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 would increase at a rate of three percent (3%) each year on the anniversary of Executive's date of hire until such time as Executive attains the Normal Retirement Age.

(2) If Executive becomes Disabled after 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 (as of the date of Separation from Service) multiplied by 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 day of the first month following Disability.

5.6 Termination For Cause. If Executive is Terminated for Cause at any time after the effective date of this Agreement, then they shall forfeit any and all rights and benefits they 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 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. If 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, for any Executive Benefit payment which has an original form specified herein as a lifetime annuity (i.e., Paragraph 5.1, 5.2, 5.4B(2)(i)), payments shall only be made following Executive's death if Executive has elected an actuarially equivalent "longer of" lifetime/period certain payment or a joint and survivor payment option. If, in the alternative, Executive dies after becoming entitled to a lump sum benefit but prior to receiving such amount (i.e. Paragraph 5.3, 5.4B(1), 5.4B(2)(ii) or 5.5) then payment shall be made as scheduled to Executive's designated Beneficiary(ies).

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 the 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 the Employer's Market Area, any customer, client, or employee of the Bank. 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 the Bank to terminate or change the client or customer's relationship with the Bank, 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 the Bank, to leave employment with the Bank 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 the Bank'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 provision 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 the Bank.

6.3 **Injunctive Relief.** Executive acknowledges and agrees that the Bank has a legitimate business interest in enforcement of the restrictions in this Article VI, including without limitation, the Bank's need to protect the goodwill of the Bank's business, the Bank's client relationships, the stability of the Bank's workforce, and other such legitimate business interests. In the event that Executive breaches or threatens to breach, or the Bank reasonably believes that Executive is about to breach the obligations of this Article, Executive acknowledges and agrees that the Bank 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 the Bank. Executive acknowledges and agrees that the Bank will suffer immediate and irreparable harm from such breach or threatened breach and that money damages will not be adequate to compensate the Bank 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 Executive's ability to compete with the Bank. 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, the Bank shall not only be excused from paying any future benefit, but the Bank 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 the Bank.

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. The Bank 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 Executive (or to 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 Administrator named above in accordance with the following procedures:

A. Written Claim. The claimant may file a written request for such benefit to the Administrator.

B. Claim Decision. Upon receipt of such claim, the Administrator shall respond to such claimant within ninety (90) days after receiving the claim. If the Administrator determines that special circumstances require additional time for processing the claim, the 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 Administrator shall notify the claimant in writing of such denial. The 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 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 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 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 Administrator shall respond in writing to such claimant within sixty (60) days after receiving the request for review. If the 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 Administrator expects to render its decision.

In considering the review, the 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 Administrator shall notify the claimant in writing of its decision on review. The 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 the Bank 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
BENEFICIARY DESIGNATION

9.1 Beneficiary Designation. Executive shall have the right to designate any person or persons as their Beneficiary or Beneficiaries (both primary as well as secondary) to whom benefits under this Agreement shall be paid (if such benefits are owed) in the event of Executive's death. Each Beneficiary designation shall be in a written form and will be effective only when filed with the Bank during Executive's lifetime.

In addition to the forgoing, a legal separation or divorce will automatically revoke the portion of a Beneficiary Designation Form designating the former spouse as a Beneficiary. The former spouse will be a Beneficiary under this Agreement only if a new such Beneficiary Designation Form naming the former spouse as a Beneficiary is filed after the date the dissolution decree is entered or only to the extent required by law.

9.2 Amendments to Beneficiary Designation . Any Beneficiary Designation may be changed by Executive without the consent of any designated Beneficiary by the filing of a new Beneficiary designation with the Bank. The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed. If an Executive's compensation is community property, any Beneficiary designation shall be valid or effective only as permitted under applicable law.

9.3 No Beneficiary Designation. In the absence of an effective beneficiary designation, or if all stated Beneficiaries predecease Executive or die prior to complete distribution of the Executive's Benefit, then Executive's designated Beneficiary shall be deemed to be Executive's estate.

9.4 Doubt as to Beneficiary. If there is a doubt as to the proper Beneficiary to receive payments pursuant to this Agreement, then the Bank shall have the right to withhold such payments until this matter is resolved.

9.5 Effect of Payment to the Beneficiary. The payment to the deemed Beneficiary shall fully and completely discharge the Bank from all further obligations under this Agreement.

ARTICLE X
MISCELLANEOUS

10.1 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.

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

Notwithstanding (i) through (v) above, the Bank and Executive acknowledge and agree that, in the event of a Change in Control, upon request of Executive, or in the Bank's discretion if Executive does not so request and the Bank nonetheless deems it appropriate, the Bank 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 Bank, in its sole discretion, deems appropriate and in compliance with applicable provisions of the Code, in order to permit the Bank 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 Bank to be used exclusively for discharge of the Bank's obligations pursuant to this Agreement and shall continue to be subject to the claims of the Bank's general creditors until paid to Executive in such manner and at such times as specified in this Agreement.

10.3 **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.

10.4 **Not a Contract of Employment.** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Bank and Executive, and Executive (or his beneficiary, if applicable) shall have no rights against the Bank 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 the Bank or to interfere with the right of the Bank to discipline or discharge him at any time.

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

10.6 **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.

10.7 **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.

10.8 **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.

10.9 **Binding Effect/Merger or Reorganization.** This Agreement shall be binding upon and inure to the benefit of 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 the Bank, and successors of any such corporation or other business entity.

10.10 **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.

10.11 **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.

10.12 **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 Bank understand, acknowledge and agree that Executive and the Bank 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 Bank, 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).

10.13 **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.

10.14 **Notice.** Any notice required or permitted of either 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 Executive:

10.15 **IRS Section 280G Issues .** If all or any portion of the amounts payable to Executive under this Agreement, either alone or together with other payments which Executive has the right to receive from the Bank, 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 the Bank (and its successor) shall be responsible for any loss of deductibility related thereto; provided, however, that the Bank 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 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 the Bank immediately prior to the change in control or such other independent accounting firm or advisor as may be mutually agreeable to the Bank and Executive in the exercise of their reasonable good faith judgment.

10.16 **Opportunity To Consult With Independent Advisors.** 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 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 Executive acknowledges and agrees shall be the sole responsibility of Executive notwithstanding any other term or provision of this Agreement. 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 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. 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 HE 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 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
Dave Lawson

/s/ DAVE LAWSON Date: JULY 25, 2018 EVP/Chief Human Resources Officer

/s/ GREGORY A. SIGRIST GREGORY A. SIGRIST
Executive- Signature and Date Print Name

EXHIBIT A
TO THE COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR GREGORY A. SIGRIST

The following table is intended ONLY to demonstrate Executive's projected salary at various times and using 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., but rather is intended to show a projected benefit based on Separation From Service at the Normal Retirement Age. Again, t **he actual assumptions needed to determine benefit amounts can only be determined closer in time to the benefit payment date, and thus, the following is an illustration ONLY.**

Age	Beginning of Vesting Period	Projected Salary	60% of Average Highest Three Years Salary	Vesting: Full Year Served	Pre-Tax Retirement Benefit
50.85	July 1st 2018	$ 375,000	$ 222,500	0%	***$0***
51.85	July 1st 2019	$ 386,250	$ 228,375	0%	***$0***
52.85	July 1st 2020	$ 397,838	$ 231,818	0%	***$0***
53.85	July 1st 2021	$ 409,773	$ 238,772	15%	***$0***
54.85	July 1st 2022	$ 422,066	$ 245,935	20%	***$0***
55.85	July 1st 2023	$ 434,728	$ 253,313	25%	***$0***
56.85	July 1st 2024	$ 447,770	$ 260,913	30%	***$0***
57.85	July 1st 2025	$ 461,203	$ 268,740	35%	***$0***
58.85	July 1st 2026	$ 475,039	$ 276,802	40%	***$0***
59.85	July 1st 2027	$ 489,290	$ 285,106	45%	***$0***
60.85	July 1st 2028	$ 503,969	$ 293,659	50%	***$0***
61.85	July 1st 2029	$ 519,088	$ 302,469	55%	***$0***
62.85	July 1st 2030	$ 534,660	$ 311,543	60%	***$0***
63.85	July 1st 2031	$ 550,700	$ 320,890	65%	***$0***
65	July 1st 2032	$ 567,227	$ 330,516	71.45%	***$ 236,154***
66					***$ 240,877***
67					***$ 245,695***
68	**Modeling assumptions**				***$ 250,608***
69	2018 Salary		$375,000		***$ 255,621***
70	Age		50.85		***$ 260,733***
71	DOH		1-Jul-18		***$ 265,948***
72	Retirement Date		29-Aug-32		***$ 271,267***
73	Payment Start Age		65		***$ 276,692***
74	Payment form		Lifetime with 2% COLA		***$ 282,226***
75	# of Years of Service at NRA		14.15		***$ 287,870***
76	Discount Rate		4.09%		***$ 293,628***
77	Salary Increase		3.00%		***$ 299,500***
78	Mortality Age		88		***$ 305,490***
79					***$ 311,600***
80					***$ 317,832***
81					***$ 324,189***
82					***$ 330,672***
83					***$ 337,286***
84					***$ 344,032***
85					***$ 350,912***
86					***$ 357,931***
87					***$ 365,089***
88					***$ 372,391***

EXHIBIT B
TO THE COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR GREGORY A. SIGRIST

DISTRIBUTION ELECTION FORM

Pursuant to the terms of the Supplemental Executive Compensation Agreement ("Agreement"), by and between me, Gregory A. Sigrist, and Columbia State Bank (hereinafter "Bank"), effective as of July 25, 2018, 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 one 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 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 (provided that the amounts are calculated as actuarial equivalent forms in compliance with IRC 409A):

A life annuity payable for the longer of Executive's lifetime or __________ years (not less than 10 years).

X 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 . As stated previously, all Actuarially Equivalent valuations must be in compliance with IRC 409A and all related Notices and guidance. 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 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 that a joint and survivor annuity option is selected, and Executive's spouse predeceases Executive, then for all payments made to Executive after their 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 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 day of the first 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.

X 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 day of the first month following Separation From Service.

EXECUTIVE: /s/ GREGORY A. SIGRIST Print Name: GREGORY A. SIGRIST

Dated: 7-25-18

EXHIBIT C
TO THE COLUMBIA STATE BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT
FOR GREGORY A. SIGRIST

The following figures are provided ONLY as an example of potential benefit amounts in the event Executive Separates From Service upon attaining the Normal Retirement Age (at age 65):

Annual Payment paid as a Single Life Annuity Option (Executive's lifetime only): **$236,154/year** .

Election of the single life annuity with a **10-year** period certain (and as an actuarial equivalence of the above): **$230,112** .

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 Executive: **$188,610** .

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: annual benefit of **$209,721** paid to Executive during their lifetime, with a benefit of **$104,861** 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.

EXHIBIT 10.2

COLUMBIA STATE BANK
ENDORSEMENT METHOD
SPLIT DOLLAR AGREEMENT

(By and Between COLUMBIA STATE BANK and GREGORY A. SIGRIST)

Insurer/Policy: The Penn Mutual Life Insurance Company Policy #2771844
The Great-West Life Assurance Company Policy #85296507

Bank: COLUMBIA STATE BANK

Insured: GREGORY A. SIGRIST

Relationship of Insured to Bank: Executive

Effective Date: July 25, 2018

The respective rights and duties of COLUMBIA STATE BANK (hereinafter the "Bank") and GREGORY A. SIGRIST (hereinafter the "Insured") in the above-referenced Policy(ies) shall be pursuant to the terms set forth below:

1. DEFINITIONS.

Refer to the Policy(ies) contract for the definition of any terms in this Endorsement Method Split Dollar Agreement (hereinafter "Agreement") that is not defined herein. If the definition of a term in the Policy(ies) is inconsistent with the definition of a term in this Agreement, then the definition of the term as set forth in this Agreement shall supersede and replace the definition of the terms as set forth in the Policy(ies).

1.1 Accelerated Benefit. The term "Accelerated Benefit" shall mean amounts requested and received pursuant to any Policy(ies) rider permitting the policyowner or Insured access to portions of the eligible death benefit in the event the Insured is diagnosed with a chronic or terminal illness [as required by the individual Policy(ies)].

1.2 Beneficiary . The term "Beneficiary" shall mean one or more persons, trusts, estates or other entities, designated in accordance with Paragraph 3 below that are entitled to receive benefits under this Plan upon the death of Insured.

1.3 Beneficiary Designation Form . "Beneficiary Designation Form" shall mean the form established from time to time by the Bank and the

Administrator, which an Insured completes, signs and returns to designate one or more Beneficiaries.

1.4 Board. "Board" means the Board of Directors of the Bank.

1.5 Claimant. "Claimant" shall have the meaning assigned to an individual who makes a claim pursuant to the provisions of Paragraph 12 below.

1.6 Code. The term the "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

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

1.8 Net Amount-at-Risk. The term "Net Amount-at-Risk" (hereinafter "NAR") shall be defined as the total proceeds of the Policy(ies) less the cash value of the Policy(ies).

1.9 Plan. The term "Plan" refers to this arrangement, as evidenced by this Agreement, whereby Insured (or Insured's Beneficiary) is entitled to receive a benefit.

1.10 Separation From Service. The term "Separation From Service" (or "Separates From Service") shall be read and interpreted consistent with Code Section 409A and any future notices or guidance related thereto. In addition, for the purposes of this Agreement, Insured shall experience a Separation From Service only upon separating as an executive of the Bank and a director on the Board, as applicable.

2. POLICY(IES) TITLE AND OWNERSHIP.

Title and ownership of the Policy(ies) shall reside in the Bank for its use and for the use of the Insured all in accordance with this Agreement. The Bank, in its sole discretion, may surrender or terminate the Policy(ies) at any time and for any reason. Where the Bank and the Insured (or assignee, with the consent of the Insured) mutually agree to exercise the right to increase the coverage under the subject Policy(ies), then, in such event, the rights, duties and benefits of the parties to such increased coverage shall continue to be subject to the terms of this Agreement.

The Employer (or the trustee, in the event of the establishment of a Rabbi Trust, at the direction of the Employer) may sell, surrender or transfer ownership of the Policy to the Insurer or any third party, provided that, in the event of any such sale, surrender or transfer prior to termination of this Agreement, the Employer (or Trustee) replaces the Policy with a life insurance policy or policies on the life of the Insured providing death benefits that are at least as much as that of the Policy being replaced. The rights, duties and benefits of the Employer, the Insured or the trustee with respect to any such replacement policy shall be subject to the terms of this Agreement. At the request of the Employer, the Insured shall take any and all actions that the Employer determines may be reasonably necessary for the sale, surrender or transfer of the Policy, the issuance of a replacement policy(ies), and subjecting the replacement policy(ies) to the terms of this Agreement.

3. BENEFICIARY DESIGNATION RIGHTS.

The Insured (or assignee) shall have the right and power to designate a "Beneficiary" or "Beneficiaries" to receive the Insured's share of the proceeds payable upon the death of the Insured, and to elect and change a payment option for such Beneficiary, subject to any right or interest the Bank may have in such proceeds, as provided in this Agreement. If no designated primary or secondary Beneficiary shall survive Insured, then all amounts due under this Agreement shall be paid to Insured's estate.

A divorce will automatically revoke the portion of a Beneficiary Designation Form designating the former spouse as a Beneficiary. The former spouse will be a Beneficiary under this Agreement only if a new such Beneficiary Designation Form naming the former spouse as a Beneficiary is filed after the date the dissolution decree is entered.

4. PREMIUM PAYMENT METHOD.

Subject to the Bank's absolute right to surrender or terminate the Policy(ies) at any time and for any reason, the Bank shall pay the premium required for each Policy as it becomes due.

5. TAXABLE BENEFIT.

Annually the Insured will receive a taxable benefit equal to the assumed cost of insurance as required by the Internal Revenue Service. The Bank will report to the Insured the amount of imputed income each year on Form W-2 or its equivalent. At the end of each calendar year, the Bank shall pay to the Insured an amount equal to an estimate of all federal and state income taxes incurred by Insured as a result of the taxable benefit under this Paragraph (the "Reimbursement"). If, as a result of any Gross-up payments made to Insured, Insured incurs additional tax liability, then the Bank shall provide an additional Reimbursement payment to Insured to offset any additional tax liability ("Double Reimbursement").

6. DIVISION OF DEATH PROCEEDS.

Subject to Paragraphs 7 and 9 herein, the division of the death proceeds of the Policy(ies) is as follows:

A. In the event Insured has not yet Separated From Service at the time of death, then, upon the death of Insured, Insured's Beneficiary(ies) shall be entitled to receive an amount equal to the lesser of one hundred percent (100%) of the NAR or Two Million, Three Hundred Sixty-One Thousand, Five Hundred Forty Dollars ($2,361,540).

B. Should the Insured Separate From Service for any reason other than death (the circumstances of which are governed by Paragraph 6A), then neither the Insured nor the Insured's Beneficiary(ies) shall be entitled to receive any amount of the Policy(ies) proceeds pursuant to this Agreement.

C. The Bank may select which Policy(ies) shall be used to pay benefits due under this Agreement.

D. The Bank and the Insured (or assignees) shall share in any interest due on the death proceeds on a pro rata basis as the proceeds due each respectively bears to the total proceeds, excluding any such interest.

E. Any refund of unearned premium as provided in any Policy(ies) shall be paid to the Bank.

7. ACCELERATED BENEFIT IN THE EVENT OF TERMINAL OR CHRONIC ILLNESS (AS APPLICABLE) AND DIVISION OF CASH SURRENDER VALUE OF THE POLICY(IES).

Provided Insured's right to receive benefits under this Agreement has not terminated pursuant to the provisions of Paragraph 9 herein, and provided the Policy(ies) provides for such option through an accelerated benefit or living benefit rider (i.e., generally requiring that the Insured is either terminally or chronically ill), Insured shall have the right to request, in writing, the full amount to which he is entitled under this Agreement, and subject to any further limitation on dollar amounts imposed by the Policy(ies). Any Accelerated Benefit paid to the Insured hereunder shall be deducted from any amounts to which Insured or his Beneficiary(ies) is (or may be) entitled pursuant to the provisions of Paragraph 6 above. Neither Employer nor Corrigan & Company (PFIS) make any representations or warranties about the tax consequences of such a request for accelerated or living benefits.

In addition, and subject to the forgoing, at all times prior to the Insured's death, the Bank shall be entitled to an amount equal to the Policy(ies)'s cash value, as that term is defined in the Policy(ies) contract, less any Policy loans, accelerated benefits and unpaid interest or cash withdrawals previously incurred by the Bank and any applicable surrender charges. Such cash value shall be determined as of the date of surrender or death as the case may be.

8. RIGHTS OF PARTIES WHERE POLICY(IES) ENDOWMENT OR ANNUITY ELECTION EXISTS.

In the event the Policy(ies) involves an endowment or annuity element, the Bank's right and interest in any endowment proceeds or annuity benefits, on expiration of the deferment period, shall be determined under the provisions of this Agreement by regarding such endowment proceeds or the commuted value of such annuity benefits as the Policy's cash value. Such endowment proceeds or annuity benefits shall be considered to be like death proceeds for the purposes of division under this Agreement.

9. TERMINATION.

This Agreement shall terminate as to the Insured upon Insured's Separation From Service, upon the mutual written agreement of the Bank and the Insured, or upon distribution of the death benefit proceeds in accordance with Paragraph 6 above. In addition, this Agreement shall also terminate in the event Insured requests and receives an Accelerated Benefit in an amount equal to the amount he is (or may be) entitled to receive pursuant to the provisions of Paragraph 7 above.

10. INSURED'S OR ASSIGNEE'S ASSIGNMENT RIGHTS.

The Insured may not, without the written consent of the Bank, assign to any individual, trust or other organization, any right, title or interest in the subject Policy(ies) nor any rights, options, privileges or duties created under this Agreement.

11. AGREEMENT BINDING UPON THE PARTIES.

This Agreement shall bind the Insured and the Bank, their heirs, successors, personal representatives and assigns.

12. ADMINISTRATIVE AND CLAIMS PROVISIONS.

The following provisions are part of this Agreement and are intended to meet the requirements of ERISA:

A. Named Fiduciary and Plan Administrator.

The Named Fiduciary and Plan Administrator (hereinafter "Administrator) of this Endorsement Method Split Dollar Agreement shall be the Board of Directors of the Bank. The Administrator may designate a replacement Administrator at any time, or may delegate to others certain responsibilities, including the employment of advisors and the delegation of any ministerial duties to qualified individuals.

B. Dispute Over Benefits.

In the event a dispute arises over the benefits under this plan and benefits are not paid to the Insured (or to the Insured'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 Administrator named above in accordance with the following procedures:

(i) Written Claim . The claimant may file a written request for such benefit to the Plan Administrator.

(ii) Claim Decision . Upon receipt of such claim, the Administrator shall respond to such claimant within ninety (90) days after receiving the claim. If the Administrator determines that special circumstances require additional time for processing the claim, the 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 Administrator shall notify the claimant in writing of such denial. The Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

(a) The specific reasons for the denial;

(b) The specific reference to pertinent provisions of the Agreement on which the denial is based;

(c) 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;

(d) 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

(e) A statement of the claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

(iii). Request for Review . Within sixty (60) days after receiving notice from the 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 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.

(iv). Decision on Review. The Administrator shall respond in writing to such claimant within sixty (60) days after receiving the request for review. If the 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 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 Administrator shall notify the claimant in writing of its decision on review. The Administrator shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

(a) The specific reasons for the denial;

(b) A reference to the specific provisions of the Agreement on which the denial is based;

(c) 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

(d) A statement of the claimant's right to bring a civil action under ERISA Section 502(a).

(v) <u>Special Timing and Rules for Disability Claims.</u> In the event a claim above is a claim for disability benefits, then the applicable time periods for notifying claimants regarding benefit determinations shall be reduced as required by 29 CFR 2560.503-1. Thus, the Administrator shall provide notice to the claimant, within a reasonable period of time, but not later than forty-five (45) days after receipt of the claim. This period may be extended by up to thirty (30) days, provided that the Administrator both determines that such an extension is necessary due to matters beyond the control of the plan and notifies the claimant, prior to the expiration of the initial forty-five (45) day period, of the circumstances requiring the extension of time and the date by which the plan expects to render a decision. If, prior to the end of the first thirty (30) day extension period, the Administrator determines that, due to matters beyond the control of the plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional thirty (30) days, provided that the Administrator notifies the claimant, prior to the expiration of the first thirty (30) day extension period, of the circumstances requiring the extension and the date as of which the plan expects to render a decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and the claimant shall be afforded at least forty-five (45) days within which to provide the specified information. In addition to complying with such timing rules, a claim under this paragraph shall comply with all procedural requirements under ERISA and the Department of Labor, including but not limited to those rules designed to guarantee an impartial review of all claims, access to documentation and the basis for any decision, and including requirements that the claim be handled in a manner sensitive to any language barrier or impediment.

13. GENDER.

Whenever in this Agreement words are used in the masculine, feminine or neuter gender, they shall be read and construed as in the masculine, feminine or neuter gender, whenever they should so apply.

14. INSURANCE COMPANY NOT A PARTY TO THIS AGREEMENT.

The Insurer shall not be deemed a party to this Agreement, but will respect the rights of the parties as herein developed upon receiving an executed copy of this Agreement. Payment or other performance in accordance with the Policy(ies) provisions shall fully discharge the Insurer from any and all liability.

15. SEVERABILITY AND INTERPRETATION.

If a provision of this Agreement is held to be invalid or unenforceable, the remaining provisions shall nonetheless be enforceable according to their terms. Further, in the event that any provision is held to be overbroad as written such provision shall be deemed amended to narrow its application to the extent necessary to make the provision enforceable according to law and enforced as amended.

16. APPLICABLE LAW.

The laws of the State of Washington shall govern the validity and interpretation of this Agreement.

17. EFFECT OF THE LIFE INSURANCE POLICY'S CONTESTABILITY CLAUSES.

The parties herein understand and agree that the payment of the benefits provided herein are subject to the Life Insurance Policy's suicide and contestability clauses and other such clauses, and if such clauses preclude the Insurer from paying the full death proceeds, then, in such event, no death benefits of whatever nature shall be payable to Insured's (or Insured's Assignees) beneficiary(ies) under this Endorsement Method Split Dollar Agreement.

This Agreement shall be effective as of the date first set forth above.

COLUMBIA STATE BANK
Dave Lawson

/s/ DAVE LAWSON Date: JULY 25, 2018
EVP/Chief Human Resources Officer

/s/ GREGORY A. SIGRIST GREGORY A SIGRIST 7-25-18
Insured- Signature and Date Print Name

Sigrist 10XJBA2018718

EXHIBIT 10.3

COLUMBIA STATE BANK
ENDORSEMENT METHOD
SPLIT DOLLAR AGREEMENT

(By and Between COLUMBIA STATE BANK and GREGORY A. SIGRIST)

Insurer/Policy: Massachusetts Mutual Life Insurance Company Policy #39140735
Midland National Life Insurance Company Policy #759230

Bank: COLUMBIA STATE BANK

Insured: GREGORY A. SIGRIST

Relationship of Insured to Bank: Executive

Effective Date: JULY 25, 2018

The respective rights and duties of COLUMBIA STATE BANK (hereinafter the "Bank") and GREGORY A. SIGRIST (hereinafter the "Insured") in the above-referenced Policy(ies) shall be pursuant to the terms set forth below:

1. DEFINITIONS.

Refer to the Policy(ies) contract for the definition of any terms in this Endorsement Method Split Dollar Agreement (hereinafter "Agreement") that is not defined herein. If the definition of a term in the Policy(ies) is inconsistent with the definition of a term in this Agreement, then the definition of the term as set forth in this Agreement shall supersede and replace the definition of the terms as set forth in the Policy(ies).

1.1 Accelerated Benefit. The term "Accelerated Benefit" shall mean amounts requested and received pursuant to any Policy(ies) rider permitting the policy owner or Insured access to portions of the eligible death benefit in the event the Insured is diagnosed with a chronic or terminal illness [as required by the individual Policy(ies)].

1.2 Beneficiary. "Beneficiary" shall mean one or more persons, trusts, estates or other entities, designated in accordance with Paragraph 3 below that are entitled to receive benefits under this Plan upon the death of Insured.

1.3 Beneficiary Designation Form. "Beneficiary Designation Form" shall mean the form established from time to time by the Bank and the

Administrator, which an Insured completes, signs and returns in order to designate one or more Beneficiaries.

1.4 Board . "Board" means the Board of Directors of the Bank.

1.5 Claimant . "Claimant" shall have the meaning assigned to an individual who makes a claim pursuant to the provisions of Paragraph 12 below.

1.6 Code . The term the "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

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

1.8 Final Base Salary. The term "Final Base Salary" shall mean the regular cash compensation expected to be paid to Insured during the calendar year in which Insured's death occurs for services rendered or labor performed, including base pay Insured could have received in cash in lieu of (i) contributions made on Insured's behalf to a qualified plan maintained by the Bank or to any cafeteria plan under Section 125 of the Code maintained by the Bank and (ii) deferrals of compensation made at the Insured's election pursuant to a plan or arrangement of the Bank or an affiliate, but excluding any bonuses, incentive pay or special awards.

1.9 Net Amount-at-Risk. The term "Net Amount-at-Risk" (hereinafter "NAR") shall be defined as the total proceeds of the Policy(ies) less the cash value of the Policy(ies).

1.10 Plan . The term "Plan" refers to this arrangement, as evidenced by this Agreement, whereby Insured (or Insured's Beneficiary) is entitled to receive a benefit.

1.11 Separation From Service . The term "Separation From Service" (or "Separates From Service") shall be read and interpreted consistent with Code Section 409A and any future notices or guidance related thereto. In addition, for the purposes of this Agreement, Insured shall experience a Separation From Service only upon separating as an executive of the Bank or a director on the Board, as applicable.

2. POLICY(IES) TITLE AND OWNERSHIP.

Title and ownership of the Policy(ies) shall reside in the Bank for its use and for the use of the Insured all in accordance with this Agreement. The Bank, in its sole discretion, may surrender or terminate the Policy(ies) at any time and for any reason. Where the Bank and the Insured (or assignee, with the consent of the

Insured) mutually agree to exercise the right to increase the coverage under the subject Policy(ies), then, in such event, the rights, duties and benefits of the parties to such increased coverage shall continue to be subject to the terms of this Agreement.

3. BENEFICIARY DESIGNATION RIGHTS.

The Insured (or assignee) shall have the right and power to designate a “Beneficiary” or “Beneficiaries” to receive the Insured’s share of the proceeds payable upon the death of the Insured, and to elect and change a payment option for such beneficiary, subject to any right or interest the Bank may have in such proceeds, as provided in this Agreement.

A divorce will automatically revoke the portion of a Beneficiary Designation Form designating the former spouse as a Beneficiary. Subject to any state law, community property laws or any legal adjudication, the former spouse will be a Beneficiary under this Agreement only if a new such Beneficiary Designation Form naming the former spouse as a Beneficiary is filed after the date the dissolution decree is entered.

4. PREMIUM PAYMENT METHOD.

Subject to the Bank’s absolute right to surrender or terminate the Policy(ies) at any time and for any reason, the Bank shall pay the premium required for each Policy as it becomes due.

5. TAXABLE BENEFIT.

Annually the Insured will receive a taxable benefit equal to the assumed cost of insurance as required by the Internal Revenue Service. The Bank will report to the Insured the amount of imputed income each year on Form W-2 or its equivalent. At the end of each calendar year, the Bank shall pay to the Insured an amount equal to an estimate of all federal and state income taxes incurred by Insured as a result of the taxable benefit under this Paragraph (the "Reimbursement"). If, as a result of any Reimbursement payments made to Insured, Insured incurs additional tax liability, then the Bank shall provide an additional Reimbursement payment to Insured in order to offset any additional tax liability ("Double Reimbursement").

6. DIVISION OF DEATH PROCEEDS.

Subject to Paragraphs 7 and 9 herein, the division of the death proceeds of the Policy(ies) is as follows:

A. In the event Insured has not yet Separated From Service at the time of death, then, upon the death of Insured, Insured’s Beneficiary(ies) shall be entitled to receive an amount equal to the lesser of one hundred percent (100%) of the NAR or three (3) times the Final Base Salary.

B. Should the Insured Separate From Service for any reason other than death (the circumstances of which are governed by Paragraph 6A), then neither the Insured nor the Insured's Beneficiary(ies) shall be entitled to receive any amount of the Policy(ies) proceeds pursuant to this Agreement.

C. The Bank may select which Policy(ies) shall be used to pay benefits due under this Agreement.

D. The Bank and the Insured (or assignees) shall share in any interest due on the death proceeds on a pro rata basis as the proceeds due each respectively bears to the total proceeds, excluding any such interest.

E. Any refund of unearned premium as provided in any Policy(ies) shall be paid to the Bank.

7. ACCELERATED BENEFIT IN THE EVENT OF TERMINAL OR CHRONIC ILLNESS (AS APPLICABLE) AND DIVISION OF CASH SURRENDER VALUE OF THE POLICY(IES).

Provided Insured's right to receive benefits under this Agreement has not terminated pursuant to the provisions of Paragraph 9 herein, and provided the Policy(ies) provides for such option through an accelerated benefit or living benefit rider (i.e., generally requiring that the Insured is either terminally or chronically ill), Insured shall have the right to request, in writing, the full amount to which he is entitled under this Agreement, but subject to any further limitation on dollar amounts imposed by the Policy(ies). Any Accelerated Benefit paid to the Insured hereunder shall be deducted from any amounts to which Insured or his Beneficiary(ies) is (or may be) entitled pursuant to the provisions of Paragraph 6 above. Neither Employer nor Corrigan & Company (PFIS) make any representations or warranties about the tax consequences of such a request for accelerated or living benefits.

In addition, and subject to the forgoing, at all times prior to the Insured's death, the Bank shall be entitled to an amount equal to the Policy(ies)'s cash value, as that term is defined in the Policy(ies) contract, less any Policy loans, accelerated benefits and unpaid interest or cash withdrawals previously incurred by the Bank and any applicable surrender charges. Such cash value shall be determined as of the date of surrender or death as the case may be.

8. RIGHTS OF PARTIES WHERE POLICY(IES) ENDOWMENT OR ANNUITY ELECTION EXISTS.

In the event the Policy(ies) involves an endowment or annuity element, the Bank's right and interest in any endowment proceeds or annuity benefits, on expiration of the deferment period, shall be determined under the provisions of this Agreement by regarding such endowment proceeds or the commuted value of such annuity benefits as the Policy's cash value. Such endowment proceeds or annuity benefits shall be considered to be like death proceeds for the purposes of division under this Agreement.

9. TERMINATION.

This Agreement shall terminate as to the Insured upon Insured's Separation From Service, upon the mutual written agreement of the Bank and the Insured, or upon distribution of the death benefit proceeds in accordance with Paragraph 6 above. In addition, this Agreement shall also terminate in the event Insured requests and receives an Accelerated Benefit in an amount equal to the amount he is (or may be) entitled to receive pursuant to the provisions of Paragraph 7 above.

10. INSURED'S OR ASSIGNEE'S ASSIGNMENT RIGHTS.

The Insured may not, without the written consent of the Bank, assign to any individual, trust or other organization, any right, title or interest in the subject Policy(ies) nor any rights, options, privileges or duties created under this Agreement.

11. AGREEMENT BINDING UPON THE PARTIES.

This Agreement shall bind the Insured and the Bank, their heirs, successors, personal representatives and assigns.

12. ADMINISTRATIVE AND CLAIMS PROVISIONS.

The following provisions are part of this Agreement and are intended to meet the requirements of ERISA:

A. Named Fiduciary and Plan Administrator.

The Named Fiduciary and Plan Administrator (hereinafter "Administrator) of this Endorsement Method Split Dollar Agreement shall be the Board of Directors of the Bank. The Administrator may designate a replacement Administrator at any time, or may delegate to others certain responsibilities, including the employment of advisors and the delegation of any ministerial duties to qualified individuals.

B. Dispute Over Benefits.

In the event a dispute arises over the benefits under this plan and benefits are not paid to the Insured (or to the Insured'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 Administrator named above in accordance with the following procedures:

(i) Written Claim . The claimant may file a written request for such benefit to the Administrator.

(ii) Claim Decision . Upon receipt of such claim, the Administrator shall respond to such claimant within ninety (90) days after receiving the claim. If the Administrator determines that special circumstances require additional time for processing the claim, the 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 Administrator expects to render its decision.

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

(a) The specific reasons for the denial;
(b) The specific reference to pertinent provisions of the Agreement on which the denial is based;
(c) 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;
(d) 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
(e) A statement of the claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

(iii). Request for Review . Within sixty (60) days after receiving notice from the Administrator that a claim has been denied (in part or in its entirety), then claimant (or their duly authorized representative) may file with the 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 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.

(iv). Decision on Review. The Administrator shall respond in writing to such claimant within sixty (60) days after receiving the request for review. If the 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 Administrator expects to render its decision.

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

(a) The specific reasons for the denial;
(b) A reference to the specific provisions of the Agreement on which the denial is based;
(c) 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
(d) A statement of the claimant's right to bring a civil action under ERISA Section 502(a).

(v)Special Timing and 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 benefit determinations shall be reduced as required by 29 CFR 2560.503-1. Thus, the Administrator shall provide notice to the claimant within a reasonable period of time, but not later than forty-five (45) days after receipt of the claim. This period may be extended by up to thirty (30) days, provided that the Administrator both determines that such an extension is necessary due to matters beyond the control of the plan and notifies the claimant, prior to the expiration of the initial forty-five (45) day period, of the circumstances requiring the extension of time and the date by which the plan expects to render a decision. If, prior to the end of the first thirty (30) day extension period, the Administrator determines that, due to matters beyond the control of the plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional thirty (30) days, provided that the Administrator notifies the claimant, prior to the expiration of the first thirty (30) day extension period, of the circumstances requiring the extension and the date as of which the plan expects to render a decision. In the case of any extension under this paragraph, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and the claimant shall be afforded at least forty-five (45) days within which to provide the specified information. In addition to complying with such timing rules, a claim under this paragraph shall comply with all procedural requirements under ERISA.

13. GENDER.

Whenever in this Agreement words are used in the masculine, feminine or neuter gender, they shall be read and construed as in the masculine, feminine or neuter gender, whenever they should so apply.

14. INSURANCE COMPANY NOT A PARTY TO THIS AGREEMENT.

The Insurer shall not be deemed a party to this Agreement, but will respect the rights of the parties as herein developed upon receiving an executed copy of this Agreement. Payment or other performance in accordance with the Policy(ies) provisions shall fully discharge the Insurer from any and all liability.

15. SEVERABILITY AND INTERPRETATION.

If a provision of this Agreement is held to be invalid or unenforceable, the remaining provisions shall nonetheless be enforceable according to their terms. Further, in the event that any provision is held to be overbroad as written such provision shall be deemed amended to narrow its application to the extent necessary to make the provision enforceable according to law and enforced as amended.

16. APPLICABLE LAW.

The laws of the State of Washington shall govern the validity and interpretation of this Agreement.

17. EFFECT OF THE LIFE INSURANCE POLICY'S CONTESTABILITY CLAUSES.

The parties herein understand and agree that the payment of the benefits provided herein are subject to the Life Insurance Policy's suicide and contestability clauses and other such clauses, and if such clauses preclude the Insurer from paying the full death proceeds, then, in such event, no death benefits of whatever nature shall
be payable to Insured's (or Insured's Assignee's) beneficiary(ies) under this Endorsement Method Split Dollar Agreement.

This Agreement shall be effective as of the date first set forth above.

COLUMBIA STATE BANK

COLUMBIA STATE BANK **INSURED**

By: /s/ DAVE LAWSON By: /s/ GREGORY SIGRIST
Dave LawsonInsured
EVP/Chief Human Resources Officer

Date: JULY 25, 2018 Date: 7-25-18

EXHIBIT 10.4

FIRST AMENDMENT TO AMENDED AND RESTATED EMPLOYEE STOCK PURCHASE PLAN OF COLUMBIA BANKING SYSTEM, INC.

This First Amendment (this "Amendment") to the Amended and Restated Employee Stock Purchase Plan of Columbia Banking System, Inc., is entered into by Columbia Banking System, Inc., a Washington corporation (the "Company"), as of September 26, 2018 (the "Effective Date").

Recitals

A. The Company adopted the Amended and Restated Employee Stock Purchase Plan of Columbia Banking System, Inc. (the "Plan") as of October 7, 2010.

B. The Company desires to amend the Plan to allow employee participants, when authorizing a payroll deduction under the Plan, to elect for the amount of the deduction to be either a percentage of compensation or a flat dollar amount.

Amendment

In accordance with Section 12.5 of the Plan, the Plan is hereby amended as follows:

1. Section 5.1 of the Plan is amended to read as follows:

"5.1 Amount of Deduction .

At the time a Participant files an authorization for payroll deduction, the Participant shall elect to have deductions made from his Compensation on each payday during the time he or she is a Participant in an Offering, and the Participant shall elect the amount of the deduction as either (1) a percentage of Compensation, in whole percentage increments, not to be less than 1% of Compensation for the payroll date to which the deduction is applied, or (2) a flat dollar amount per payroll date, which cannot be less than $15.00. A Participant's authorization will remain in effect for successive Offering Periods unless terminated as provided in Section 5.3 of this Plan."

2. All other provisions of the Plan remain in full force and effect, subject only to the addition above.

This Amendment was executed as of the date first stated above, and was duly adopted by the Personnel and Compensation Committee of the Board of Directors of the Company as of September 26, 2018.

COLUMBIA BANKING SYSTEM, INC.

/s/ CATHLEEN DENT
By: Cathleen Dent
Its: Assistant Corporate Secretary

EXHIBIT 31.1

CERTIFICATION

I, Hadley S. Robbins, 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/ HADLEY S. ROBBINS

Hadley S. Robbins
President and
Chief Executive Officer

Date: November 6, 2018

EXHIBIT 31.2

CERTIFICATION

I, Gregory A. Sigrist, 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/ GREGORY A. SIGRIST

Gregory A. Sigrist
Executive Vice President and
Chief Financial Officer

Date: November 6, 2018

EXHIBIT 32

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 September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Hadley S. Robbins, President and Chief Executive Officer, and Gregory A. Sigrist, 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/ HADLEY S. ROBBINS

Hadley S. Robbins
President and
Chief Executive Officer
Columbia Banking System, Inc.

/s/ GREGORY A. SIGRIST

Gregory A. Sigrist
Executive Vice President and
Chief Financial Officer
Columbia Banking System, Inc.

Dated: November 6, 2018