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 March 31, 2021.

☐ **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 000-20288

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 and zip code)

(253) 305-1900

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, No Par Value	**COLB**	**The Nasdaq Stock Market LLC**
(Title of each class)	**(Trading symbol)**	**(Name of each exchange on which registered)**

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 every Interactive Data File required to be submitted 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 April 30, 2021 was 71,731,554

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Glossary of Acronyms, Abbreviations, and Terms

The acronyms, abbreviations, and terms listed below are used in various sections of the Form 10-Q, including "Item 1. Financial Statements" and "Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations."

ACL	Allowance for Credit Losses	**FASB**	Financial Accounting Standards Board
ASC	Accounting Standards Codification	**FDIC**	Federal Deposit Insurance Corporation
ASC 326	Codification related to measurement of credit losses on financial instruments	**FHLB**	Federal Home Loan Bank of Des Moines
ASU	Accounting Standards Update	**FRB**	Federal Reserve Bank
ATM	Automated Teller Machine	**GAAP**	Generally Accepted Accounting Principles
B&O	Business and Occupation	**GDP**	Gross Domestic Product
Basel III	A comprehensive capital framework and rules for U.S. banking organizations approved by the FRB and the FDIC in 2013	**Intermountain**	Intermountain Community Bancorp
BOLI	Bank Owned Life Insurance	**LIBOR**	London Interbank Offering Rate
Capital Rules	Risk-based capital standards currently applicable to the Company and the Bank.	**N/M**	Not meaningful
CARES Act	Coronavirus Aid Relief and Economic Security Act	**OPPO**	Other Personal Property Owned
CDI	Core Deposit Intangible	**OREO**	Other Real Estate Owned
CECL	Current Expected Credit Losses	**Pacific Continental**	Pacific Continental Corporation
CEO	Chief Executive Officer	**PPP**	Paycheck Protection Program
CET1	Common Equity Tier 1	**RSA**	Restricted Stock Awards
CFO	Chief Financial Officer	**RSU**	Restricted Stock Units
COVID-19	Novel Coronavirus	**SBA**	Small Business Administration
DCF	Discounted Cash Flow	**SEC**	Securities and Exchange Commission
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act	**TDRs**	Troubled Debt Restructurings
EPS	Earnings Per Share	**West Coast**	West Coast Bancorp

PART I - FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
Columbia Banking System, Inc.
(Unaudited)

	March 31, 2021 (shares)	December 31, 2020 (shares)	March 31, 2021	December 31, 2020
			(in thousands)	
	(in thousands)			
ASSETS				
Cash and due from banks			$ 178,096	$ 218,899
Interest-earning deposits with banks			706,389	434,867
Total cash and cash equivalents			884,485	653,766
Debt securities available for sale at fair value (amortized cost of $5,417,373 and $4,997,529, respectively)			5,496,290	5,210,134
Equity securities			13,425	13,425
FHLB stock at cost			10,280	10,280
Loans held for sale			26,176	26,481
Loans, net of unearned income			9,676,318	9,427,660
Less: ACL			148,294	149,140
Loans, net			9,528,024	9,278,520
Interest receivable			52,667	54,831
Premises and equipment, net			160,179	162,059
OREO			521	553
Goodwill			765,842	765,842
Other intangible assets, net			24,810	26,734
Other assets			372,417	382,154
Total assets			$ 17,335,116	$ 16,584,779
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Noninterest-bearing			$ 7,424,472	$ 6,913,214
Interest-bearing			7,342,994	6,956,648
Total deposits			14,767,466	13,869,862
FHLB advances			7,400	7,414
Securities sold under agreements to repurchase			38,624	73,859
Subordinated debentures			35,046	35,092
Other liabilities			211,517	250,945
Total liabilities			15,060,053	14,237,172
Commitments and contingent liabilities (Note 10)				
Shareholders' equity:				
Preferred stock (no par value)				
Authorized shares	2,000	2,000		
Common stock (no par value)				
Authorized shares	115,000	115,000		
Issued	73,923	73,782	1,661,129	1,660,998
Outstanding	71,739	71,598		
Retained earnings			607,040	575,248
Accumulated other comprehensive income			77,728	182,195
Treasury stock at cost	2,184	2,184	(70,834)	(70,834)
Total shareholders' equity			2,275,063	2,347,607
Total liabilities and shareholders' equity			$ 17,335,116	$ 16,584,779

See accompanying Notes to unaudited Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Columbia Banking System, Inc.

(Unaudited)

	Three Months Ended March 31,	
	2021	2020
	(in thousands except per share amounts)	
Interest Income		
Loans	$ 100,315	$ 107,366
Taxable securities	22,816	21,088
Tax-exempt securities	2,759	2,302
Deposits in banks	152	141
Total interest income	126,042	130,897
Interest Expense		
Deposits	1,485	3,642
FHLB advances and FRB borrowings	72	4,229
Subordinated debentures	468	468
Other borrowings	23	136
Total interest expense	2,048	8,475
Net Interest Income	123,994	122,422
Provision (recapture) for credit losses	(800)	41,500
Net interest income after provision (recapture) for credit losses	124,794	80,922
Noninterest Income		
Deposit account and treasury management fees	6,358	7,788
Card revenue	3,733	3,518
Financial services and trust revenue	3,381	3,065
Loan revenue	7,369	4,590
Bank owned life insurance	1,560	1,596
Investment securities gains, net	—	249
Other	765	401
Total noninterest income	23,166	21,207
Noninterest Expense		
Compensation and employee benefits	51,736	54,842
Occupancy	9,006	9,197
Data processing and software	8,451	7,099
Legal and professional fees	2,815	2,102
Amortization of intangibles	1,924	2,310
B&O taxes	1,259	624
Advertising and promotion	760	1,305
Regulatory premiums	1,105	34
Net cost (benefit) of operation of OREO	(63)	12
Other	6,566	6,746
Total noninterest expense	83,559	84,271
Income before income taxes	64,401	17,858
Income tax provision	12,548	3,230
Net Income	$ 51,853	$ 14,628
Earnings per common share		
Basic	$ 0.73	$ 0.20
Diluted	$ 0.73	$ 0.20
Weighted average number of common shares outstanding	70,869	71,206
Weighted average number of diluted common shares outstanding	71,109	71,264

See accompanying Notes to unaudited Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Columbia Banking System, Inc.

(Unaudited)

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Net income	$ 51,853	$ 14,628
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 $31,082 and $(24,143)	(102,605)	79,696
Reclassification adjustment of net gain from available for sale debt securities arising during the period, net of tax of $0 and $58	—	(191)
Net unrealized gain (loss) from securities, net of reclassification adjustment	(102,605)	79,505
Pension plan liability adjustment:		
Amortization of unrecognized net actuarial loss included in net periodic pension cost, net of tax of $(35) and $(24)	115	80
Pension plan liability adjustment, net	115	80
Unrealized gain from cash flow hedging instruments:		
Net unrealized gain in cash flow hedging instruments arising during the period, net of tax of $0 and $(5,446)	—	17,977
Reclassification adjustment for net gain in cash flow hedging instruments included in income, net of tax of $599 and $218	(1,977)	(722)
Net unrealized gain (loss) from cash flow hedging instruments, net of reclassification adjustment	(1,977)	17,255
Other comprehensive income (loss)	(104,467)	96,840
Total comprehensive income (loss)	$ (52,614)	$ 111,468

See accompanying Notes to unaudited Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Columbia Banking System, Inc.
(Unaudited)

	Common Stock					
For the Three Months Ended March 31, 2021	Shares Outstanding	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
	(in thousands except per share amounts)					
Balance at January 1, 2021	71,598	$ 1,660,998	$ 575,248	$ 182,195	$ (70,834)	$ 2,347,607
Net income	—	—	51,853	—	—	51,853
Other comprehensive loss	—	—	—	(104,467)	—	(104,467)
Issuance of common stock - employee stock purchase plan	41	1,098	—	—	—	1,098
Issuance of common stock - RSAs and RSUs, net of canceled awards	188	3,028	—	—	—	3,028
Purchase and retirement of common stock	(88)	(3,995)	—	—	—	(3,995)
Cash dividends declared on common stock ($0.28 per share)	—	—	(20,061)	—	—	(20,061)
Balance at March 31, 2021	71,739	$ 1,661,129	$ 607,040	$ 77,728	$ (70,834)	$ 2,275,063

	Common Stock					
For the Three Months Ended March 31, 2020	Shares Outstanding	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
	(in thousands except per share amounts)					
Balance at January 1, 2020	72,124	$ 1,650,753	$ 519,676	$ 40,367	$ (50,834)	$ 2,159,962
Adjustment to opening retained earnings pursuant to adoption of ASU 2016-13	—	—	(2,457)	—	—	(2,457)
Net income	—	—	14,628	—	—	14,628
Other comprehensive income	—	—	—	96,840	—	96,840
Issuance of common stock - employee stock purchase plan	26	945	—	—	—	945
Activity in deferred compensation plan	—	3	—	—	—	3
Issuance of common stock - RSAs and RSUs, net of canceled awards	222	2,172	—	—	—	2,172
Purchase and retirement of common stock	(66)	(2,474)	—	—	—	(2,474)
Cash dividends declared on common stock ($0.50 per share)	—	—	(36,017)	—	—	(36,017)
Purchase of treasury stock	(731)	—	—	—	(20,000)	(20,000)
Balance at March 31, 2020	71,575	$ 1,651,399	$ 495,830	$ 137,207	$ (70,834)	$ 2,213,602

See accompanying Notes to unaudited Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Cash Flows From Operating Activities		
Net income	$ 51,853	$ 14,628
Adjustments to reconcile net income to net cash provided by operating activities		
Provision (recapture) for credit losses	(800)	41,500
Stock-based compensation expense	3,028	2,172
Depreciation, amortization and accretion	1,433	13,151
Investment securities gain, net	—	(249)
Net realized (gain) loss on sale of premises and equipment, loans held for investment and OPPO	6	(25)
Net realized gain on sale and valuation adjustments of OREO	(100)	—
Gain on bank owned life insurance death benefit	(209)	—
Originations of loans held for sale	(107,104)	(58,199)
Proceeds from sales of loans held for sale	107,320	66,216
Change in fair value of loans held for sale	89	—
Net change in:		
Interest receivable	2,164	2,262
Interest payable	494	2,325
Other assets	11,525	(63,141)
Other liabilities	(10,627)	44,725
Net cash provided by operating activities	59,072	65,365
Cash Flows From Investing Activities		
Loans originated, net of principal collected	(164,856)	(197,362)
Purchases of:		
Debt securities available for sale	(608,854)	(37,472)
Loans held for investment	(74,383)	—
Premises and equipment	(805)	(1,650)
FHLB stock	—	(51,240)
Proceeds from:		
Sales of debt securities available for sale	—	194,105
Principal repayments and maturities of debt securities available for sale	180,380	134,641
Sales of premises and equipment	—	31
Redemption of FHLB stock	—	61,080
Sales of OREO and OPPO	132	50
Bank owned life insurance death benefit	671	1,050
Net cash provided by (used in) investing activities	(667,715)	103,233
Cash Flows From Financing Activities		
Net increase in deposits	897,604	128,059
Net decrease in sweep repurchase agreements	(35,235)	(35,185)
Proceeds from:		
FHLB advances	—	1,281,000
FRB borrowings	—	182,010
Other borrowings	—	5,000
Employee stock purchase plan	1,098	945
Payments for:		
Repayment of FHLB advances	—	(1,527,000)
Repayment of FRB borrowings	—	(177,010)
Common stock dividends	(20,110)	(35,860)
Purchase of treasury stock	—	(20,000)
Purchase and retirement of common stock	(3,995)	(2,474)
Net cash provided by (used in) financing activities	839,362	(200,515)

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

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Increase (decrease) in cash and cash equivalents	230,719	(31,917)
Cash and cash equivalents at beginning of period	653,766	247,673
Cash and cash equivalents at end of period	$ 884,485	$ 215,756
Supplemental Information:		
Interest paid	$ 1,553	$ 6,150
Income taxes paid, net of refunds	$ (1)	$ 12
Non-cash investing and financing activities		
Premises and equipment expenditures incurred but not yet paid	$ 43	$ 238
Change in dividends payable on unvested shares included in other liabilities	$ (49)	$ 157

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 three months ended March 31, 2021 are not necessarily indicative of results to be anticipated for the year ending December 31, 2021. The accompanying interim unaudited Consolidated Financial Statements should be read in conjunction with the financial statements and related notes contained in the Company's 2020 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 2020 Annual Report on Form 10-K. There have not been any changes in our significant accounting policies compared to those contained in our 2020 Form 10-K disclosure for the year ended December 31, 2020.

Reclassifications

Certain amounts reported in prior periods have been reclassified in the Consolidated Financial Statements to conform to the current presentation. Specifically, amounts related to software expense, which have historically been included in "Other" noninterest expense, have been combined with data processing expense in the row titled "Data processing and software" in the Consolidated Statements of Income. The reclassifications have no effect on net income or shareholders' equity as previously reported.

2. Accounting Pronouncements Recently Adopted or Issued

Accounting Standards Adopted in 2021

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. In response to concerns about structural risks of the cessation of LIBOR, the amendments in this ASU provide optional guidance for a limited time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in this ASU provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments in this ASU apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. The amendments in this ASU are elective and are effective March 12, 2020 for all entities. The adoption of this ASU did not have a material impact on the Company's Consolidated Financial Statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes*. The guidance issued in this ASU simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition for deferred tax liabilities for outside basis differences. This ASU also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The ASU is effective for interim and annual reporting periods beginning after December 15, 2020; early adoption is permitted. The adoption of this ASU did not have a material impact on the Company's Consolidated Financial Statements.

Recently Issued Accounting Standards, Not Yet Adopted

In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform *(Topic 848) - Scope.* The amendments in this ASU clarify that certain optional expedients and exceptions for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. Certain provisions, if elected, apply to derivative instruments that use an interest rate for margining, discounting or contract price alignment that is modified as a result of reference rate reform. Amendments in this ASU to the expedients and exceptions in Topic 848 capture the incremental consequences of the scope clarification and tailor the existing guidance to derivative instruments affected by the discounting transition. The ASU is effective for interim and annual reporting periods beginning on January 7, 2021. The adoption of this ASU is not expected to have a material impact on the Company's Consolidated Financial Statements.

3. Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
March 31, 2021			*(in thousands)*		
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 4,040,359	$ 109,063	$ (45,203)	$ —	$ 4,104,219
Other asset-backed securities	359,259	5,216	(5,656)	—	358,819
State and municipal securities	739,570	18,080	(6,365)	—	751,285
U.S. government agency and government-sponsored enterprise securities	278,185	5,349	(1,567)	—	281,967
Total	$ 5,417,373	$ 137,708	$ (58,791)	$ —	$ 5,496,290
December 31, 2020					
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 3,640,351	$ 178,579	$ (4,543)	$ —	$ 3,814,387
Other asset-backed securities	349,904	9,651	(2,076)	—	357,479
State and municipal securities	729,066	25,098	(592)	—	753,572
U.S. government agency and government-sponsored enterprise securities	278,208	6,545	(57)	—	284,696
Total	$ 4,997,529	$ 219,873	$ (7,268)	$ —	$ 5,210,134

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income. There were no amounts of accrued interest reversed against interest income for the three months ended March 31, 2021 and 2020.

Accrued interest receivable for securities available for sale is included in "Interest receivable" on the Company's Consolidated Balance Sheet and is not reflected in the balances in the table above. At March 31, 2021 and December 31, 2020, accrued interest receivable for securities was $17.4 million and $17.1 million, respectively. The Company does not measure an allowance for credit losses for accrued interest receivable.

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in thousands)	
Proceeds from sales of debt securities available for sale	$ —	$ 194,105
Gross realized gains from sales of debt securities available for sale	$ —	$ 435
Gross realized losses from sales of debt securities available for sale	—	(186)
Other securities gains	—	—
Investment securities gains, net	$ —	$ 249

There were no gains or losses recognized on equity securities during the three month periods ended March 31, 2021 and 2020.

The scheduled contractual maturities of debt securities available for sale at the period presented below are as follows:

	March 31, 2021 Amortized Cost	March 31, 2021 Fair Value
	(in thousands)	
Due within one year	$ 81,385	$ 81,986
Due after one year through five years	737,066	765,090
Due after five years through ten years	2,457,820	2,507,546
Due after ten years	2,141,102	2,141,668
Total debt securities available for sale	$ 5,417,373	$ 5,496,290

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

	March 31, 2021
	(in thousands)
To secure public funds	$ 477,970
To secure borrowings	109,650
Other securities pledged	217,055
Total securities pledged as collateral	$ 804,675

The following table shows the gross unrealized losses and fair value of the Company's debt securities available for sale for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of the dates presented:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2021			*(in thousands)*			
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 1,661,107	$ (44,484)	$ 16,463	$ (719)	$ 1,677,570	$ (45,203)
Other asset-backed securities	183,636	(5,656)	69	—	183,705	(5,656)
State and municipal securities	311,953	(6,365)	—	—	311,953	(6,365)
U.S. government agency and government-sponsored enterprise securities	149,483	(1,567)	—	—	149,483	(1,567)
Total	$ 2,306,179	$ (58,072)	$ 16,532	$ (719)	$ 2,322,711	$ (58,791)
December 31, 2020						
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 575,329	$ (3,728)	$ 18,527	$ (815)	$ 593,856	$ (4,543)
Other asset-backed securities	143,764	(2,076)	70	—	143,834	(2,076)
State and municipal securities	86,471	(592)	—	—	86,471	(592)
U.S. government agency and government-sponsored enterprise securities	74,943	(57)	—	—	74,943	(57)
Total	$ 880,507	$ (6,453)	$ 18,597	$ (815)	$ 899,104	$ (7,268)

At March 31, 2021, there were 144 U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligation securities in an unrealized loss position. 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 concluded an allowance for credit losses is unnecessary at March 31, 2021.

At March 31, 2021, there were 16 other asset-backed securities in an unrealized loss position. 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 concluded an allowance for credit losses is unnecessary at March 31, 2021.

At March 31, 2021, there were 89 state and municipal government securities in an unrealized loss position. The unrealized losses on state and municipal securities were caused by interest rate changes or widening of market spreads subsequent to the purchase of the individual securities. Management monitors published credit ratings of these securities for adverse changes. As of March 31, 2021, 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 concluded an allowance for credit losses is unnecessary at March 31, 2021.

At March 31, 2021, there were eight U.S. government securities in an unrealized loss position. 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 concluded an allowance for credit losses is unnecessary at March 31, 2021.

Equity Securities without Readily Determinable Fair Values

Visa Class B Restricted Shares

In 2008, the Company received Visa Class B restricted shares as part of Visa's initial public offering. These shares are transferable only under limited circumstances until they can be converted into publicly traded Visa Class A common shares. This conversion will not occur until the settlement of certain litigation which is indemnified by Visa members, including the Company. Visa funded an escrow account from its initial public offering to settle these litigation claims. Should this escrow account not be sufficient to cover these litigation claims, Visa is entitled to fund additional amounts to the escrow account by reducing each member bank's Visa Class B conversion ratio to unrestricted Visa Class A shares.

During the second quarter of 2020, the Company sold 17,360 shares of Visa Class B restricted stock, which resulted in an observable market price. As a result, the Company adjusted the carrying value of its remaining Visa Class B restricted shares upward to this observable market price. At March 31, 2021, the Company owned 77,683 Visa Class B shares, which had a carrying value of $13.4 million.

4. Loans

The Company's loan portfolio includes originated and purchased loans. The following is an analysis of the loan portfolio by segment and class (net of unearned income):

	March 31, 2021	December 31, 2020
	(dollars in thousands)	
Commercial loans:		
Commercial real estate	$ 4,081,915	$ 4,062,313
Commercial business	3,792,813	3,597,968
Agriculture	751,800	779,627
Construction	282,534	268,663
Consumer loans:		
One-to-four family residential real estate	735,314	683,570
Other consumer	31,942	35,519
Total loans	9,676,318	9,427,660
Less: Allowance for credit losses	(148,294)	(149,140)
Total loans, net	$ 9,528,024	$ 9,278,520

At March 31, 2021 and December 31, 2020, 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.

At March 31, 2021 and December 31, 2020, $3.49 billion and $3.46 billion of commercial and residential real estate loans were pledged as collateral on FHLB advances and additional borrowing capacity. The Company has also pledged $200.1 million and $200.4 million of commercial loans to the FRB for additional borrowing capacity at March 31, 2021 and December 31, 2020, respectively.

Accrued interest receivable for loans is included in "Interest receivable" on the Company's Consolidated Balance Sheet and is not reflected in the balances in the table above. At March 31, 2021 and December 31, 2020, accrued interest receivable for loans was $35.2 million and $37.8 million, respectively. The Company does not measure an allowance for credit losses for accrued interest receivable.

The following is an aging of the recorded investment of the loan portfolio at the dates presented:

March 31, 2021	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 loans:							
Commercial real estate	$ 4,067,718	$ 880	$ 6,000	$ —	$ 6,880	$ 7,317	$ 4,081,915
Commercial business	3,778,955	109	198	—	307	13,551	3,792,813
Agriculture	739,599	1,060	512	—	1,572	10,629	751,800
Construction	282,343	—	—	—	—	191	282,534
Consumer loans:							
One-to-four family residential real estate	728,053	5,462	48	—	5,510	1,751	735,314
Other consumer	31,758	27	15	—	42	142	31,942
Total	$ 9,628,426	$ 7,538	$ 6,773	$ —	$ 14,311	$ 33,581	$ 9,676,318

December 31, 2020	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 loans:							
Commercial real estate	$ 4,037,309	$ 17,292	$ —	—	$ 17,292	$ 7,712	$ 4,062,313
Commercial business	3,578,905	1,282	4,559	—	5,841	13,222	3,597,968
Agriculture	767,102	911	—	—	911	11,614	779,627
Construction	268,304	—	142	—	142	217	268,663
Consumer loans:							
One-to-four family residential real estate	677,627	2,283	1,659	—	3,942	2,001	683,570
Other consumer	35,450	24	5	—	29	40	35,519
Total	$ 9,364,697	$ 21,792	$ 6,365	$ —	$ 28,157	$ 34,806	$ 9,427,660

Loan payments are considered timely when the contractual principal or interest due in accordance with the terms of the loan agreement or any portion thereof is received on the due date of the scheduled payment. In addition, the risk rating on loans modified in association with the CARES Act or Interagency guidance did not change. These loans are not considered past due until after the deferral period is over and scheduled payments resume. Accrued interest on these COVID-19 modified loans is due, in full, when the deferral period ends. The credit quality of these loans will be reevaluated after the deferral period ends.

Nonaccrual loans are generally loans placed on a nonaccrual basis when they become 90 days past due or when there are otherwise serious doubts about the collectability of principal or interest within the existing terms of the loan. The Company’s policy is to write-off all accrued interest on loans when they are placed on nonaccrual status.

The following table summarizes written-off interest on nonaccrual loans for the periods indicated:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in thousands)	
Commercial loans	$ 211	$ 783
Consumer loans	7	5
Total	$ 218	$ 788

The following summarizes the amortized cost of nonaccrual loans for which there was no related ACL for the periods indicated:

	March 31, 2021	December 31, 2020
	(in thousands)	
Commercial loans:		
Commercial real estate	$ 6,336	$ 6,393
Commercial business	8,682	6,382
Agriculture	8,379	8,136
Total	$ 23,397	$ 20,911

The following is an analysis of loans classified as TDR for the periods indicated:

	Three Months Ended March 31, 2021			Three Months Ended March 31, 2020		
	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 loans:						
Commercial real estate	1	$ 628	$ 628	—	$ —	$ —
Commercial business	7	843	843	2	272	272
Agriculture	—	—	—	1	895	895
Consumer loans:						
One-to-four family residential real estate	2	140	140	1	68	68
Total	10	$ 1,611	$ 1,611	4	$ 1,235	$ 1,235

The Company's loans classified as TDR are loans that have been modified or with respect to which 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. Loans classified as TDR are included with the loans collectively measured for credit losses.

The Company had commitments to lend $672 thousand of additional funds on loans classified as TDR as of March 31, 2021. The Company had $651 thousand of such commitments at December 31, 2020. The Company had no loans classified as TDR that defaulted within 12 months of being classified as TDR during the three months ended March 31, 2021 and 2020.

Financial institutions are required to maintain records of the volume of loans involved in modifications to which troubled debt restructuring relief is applicable. At March 31, 2021, the Company had 20 short–term deferments on $71.4 million of loans, gross of unearned income. These short–term deferments are not classified as TDR's and will not be reported as past due provided that they are performing in accordance with the modified terms.

The Company offered PPP loans to provide financial support to small and medium-size businesses to cover payroll and certain other expenses during the COVID-19 pandemic. The PPP was established by the CARES Act and is implemented by the U.S. SBA with support from the U.S. Department of Treasury. The program, which was amended by the Paycheck Protection Flexibility Act of 2020, provides small businesses with funds to pay up to 24 weeks of payroll costs including benefits, as well as interest on mortgages, rent and utilities. Funds are provided to small businesses in the form of loans that will be fully forgiven when used for permitted purposes and when at least 60% of the funds are used for payroll costs and applicable employment levels are maintained in accordance with the requirements of the amended PPP. At March 31, 2021, we had $894.1 million of PPP loans outstanding, which are included in commercial business loans.

5. Allowance for Credit Losses and Allowance for Unfunded Commitments and Letters of Credit

The ACL is determined through quarterly assessments of expected credit losses within the loan portfolio and is deducted from the loan's amortized cost basis to present the net amount of loans expected to be collected. We estimate the ACL using relevant and reliable available information, which is derived from both internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Additions to and recaptures from the ACL are charged to current period earnings through the provision for credit losses. Loan amounts that are determined to be uncollectible are charged directly against the ACL and netted against amounts recovered on previously charged-off loans.

For the purpose of calculating portfolio level reserves, we have segmented our loan portfolio into two portfolio segments (Commercial and Consumer). The Commercial and Consumer portfolio segments are then further broken down into loan classes by risk characteristics. The risk characteristics include regulatory call codes, type of industry and collateral type.

The ACL is comprised of reserves measured on a collective (pool) basis using a quantitative DCF model for all loan classes with similar risk characteristics and then qualitatively adjusted for large loan concentrations, policy exemptions granted and other factors. The quantitative DCF model utilizes anticipated period cash flows determined on a loan-level basis. The anticipated cash flows take into account contractual principal and interest payments, anticipated segment level prepayments, probability of defaults and historical loss given defaults. The majority of our loan classes utilize regression models to calculate probability of defaults, in which macroeconomic factors are correlated to historical quarterly defaults. The Commercial segment multi-factor models utilize a mix of 15 macroeconomic factors, including the four most commonly used factors: Real GDP, National Unemployment Rate, Disposable Personal Income and Private Inventories. The Consumer segment multi-factor models utilize a mix of three macroeconomic factors: National Unemployment Rate, Home Price Index and Disposable Income. The Company utilizes an 18 month reasonable and supportable forecast for the macroeconomic factors, after which the probability of default reverts to its historical mean using a straight-line basis constructed on each macroeconomic factor's absolute historical quarterly change.

Loans are individually measured for credit losses if they do not share similar risk characteristics of other loans within their respective pools. Individually measured loans are primarily nonaccrual and collateral dependent with balances equal to or greater than $500,000 and for which foreclosure is probable. Commercial real estate loans are secured by commercial real estate, including owner occupied and non-owner occupied commercial real estate, as well as multifamily residential real estate. Commercial business loans are primarily secured by non-real estate collateral, including equipment and other non-real estate fixed assets, inventory, receivables and cash. Agricultural loans are secured by farmland and other agricultural real estate, as well as equipment, inventory, such as crops and livestock, non-real estate fixed assets, and cash. Construction loans are secured by one-to-four family residential real estate and commercial real estate in varying stages of development. One-to-four family residential real estate loans are secured by one-to-four family residential properties. Other consumer loans are secured by personal property. For loans measured on an individual basis, the Company calculates the allowance as the difference between the amortized cost of the loan and the fair market value of the collateral. The fair market value of the collateral is determined by either the discounted expected future cash flows from the operation of the collateral or the appraised value of the collateral, less costs to sell. If the fair value of the collateral is greater than the amortized cost of the loan, no reserve is recorded.

The Company also records an allowance for credit losses on unfunded loan commitments and letters of credit. We estimate expected credit losses on unfunded commitments in which we are exposed to credit risk, unless we have the option to unconditionally cancel the obligation. Expected credit losses are calculated based on the likelihood that funding will occur and an estimate of what will be funded by analyzing the most recent four-quarter utilization rates, current utilization and our quantitative ACL rate. The allowance for unfunded commitments and letters of credit is included in "Other Liabilities" on the Consolidated Balance Sheets, with changes to the balance being charged to noninterest expense.

We do not measure an allowance for credit losses on accrued interest receivable balances because these balances are written-off in a timely manner as a reduction to interest income when loans are placed on nonaccrual status.

The following tables show a detailed analysis of the ACL for the periods indicated:

Three Months Ended March 31, 2021	**Beginning Balance**	**Charge-offs**	**Recoveries**	**Provision (Recapture)**	**Ending Balance**
	(in thousands)				
Commercial loans:					
Commercial real estate	$ 68,934	$ —	$ 36	$ (11,920)	$ 57,050
Commercial business	45,250	(3,339)	3,214	13,280	58,405
Agriculture	9,052	—	12	423	9,487
Construction	7,636	—	46	(1,131)	6,551
Consumer loans:					
One-to-four family residential real estate	16,875	—	51	(1,288)	15,638
Other consumer	1,393	(127)	61	(164)	1,163
Total	$ 149,140	$ (3,466)	$ 3,420	$ (800)	$ 148,294

Three Months Ended March 31, 2020	**Beginning Balance**	**Impact of Adopting ASC 326**	**Charge-offs**	**Recoveries**	**Provision (Recapture)**	**Ending Balance**
	(in thousands)					
Commercial loans:						
Commercial real estate	$ 20,340	$ 7,533	$ (101)	$ 14	$ 9,336	$ 37,122
Commercial business	30,292	762	(1,684)	860	15,340	45,570
Agriculture	15,835	(9,325)	(4,726)	41	9,260	11,085
Construction	8,571	(1,750)	—	442	1,582	8,845
Consumer loans:						
One-to-four family residential real estate	7,435	4,237	(10)	282	5,715	17,659
Other consumer	883	778	(268)	124	127	1,644
Unallocated	612	(603)	—	—	140	149
Total	$ 83,968	$ 1,632	$ (6,789)	$ 1,763	$ 41,500	$ 122,074

The $846 thousand decrease in the ACL at March 31, 2021 compared to the ACL at December 31, 2020 was primarily due to a slight improvement in the economic outlook, which remains impacted by the COVID-19 pandemic and its impact on our borrowers. Specifically regarding the forecast used in the March 31, 2021 estimate, management expects the forecasted national unemployment rate to be above the pre-pandemic levels through the forecast period due to pandemic-related effects and shifting workforce requirements. Additionally, the commercial real estate index decline is expected to continue through 2021, the home price index is projected to moderate over the forecast period and Real GDP is projected to rise above average for the remainder of the year. The models used for calculating the ACL are sensitive to changes in these and other economic factors, which could result in volatility as these assumptions change over time. The ACL at March 31, 2021 does not include a reserve for the PPP loans as these loans are fully guaranteed by the SBA.

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 March 31,	
	2021	2020
	(in thousands)	
Beginning balance	$ 8,300	$ 3,430
Impact of adopting ASC 326	—	1,570
Net changes in the allowance for unfunded commitments and letters of credit	1,500	1,000
Ending balance	$ 9,800	$ 6,000

Credit Quality Indicators

The extension of credit in the form of loans or other credit products to consumer and commercial clients 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.

We evaluate the credit quality of our loan portfolio using regulatory risk ratings, which are based on relevant information about the borrower's financial condition, including current financial condition, historical payment experience, credit documentation and current economic trends. Risk ratings are reviewed and updated whenever appropriate, with more periodic reviews as the risk and dollar value of the loss on the loan increases. All loans risk rated special mention or worse with amortized costs exceeding $100,000 are reviewed at least quarterly with more frequent review for specific loans.

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 or accrual status 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 uncollectible and when identified, are charged-off.

The following is an analysis of the credit quality of our loan portfolio as of the periods indicated:

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total (1)
	2021	2020	2019	2018	2017	Prior			
March 31, 2021					*(in thousands)*				
Commercial loans:									
Commercial real estate									
Pass	$ 205,152	$ 668,655	$ 603,542	$ 459,888	$ 491,550	$ 1,229,742	$ 49,274	$ 2,781	$ 3,710,584
Special mention	—	3,127	65,107	19,094	4,420	99,370	5	—	191,123
Substandard	—	3,467	34,749	16,559	31,448	91,434	2,551	—	180,208
Total commercial real estate	$ 205,152	$ 675,249	$ 703,398	$ 495,541	$ 527,418	$ 1,420,546	$ 51,830	$ 2,781	$ 4,081,915
Commercial business									
Pass	$ 586,311	$ 829,165	$ 347,668	$ 273,408	$ 178,663	$ 376,297	$ 945,271	$ 12,322	$ 3,549,105
Special mention	—	588	8,346	6,237	2,063	1,131	49,369	143	67,877
Substandard	—	6,594	26,640	36,756	27,226	33,731	44,046	838	175,831
Total commercial business	$ 586,311	$ 836,347	$ 382,654	$ 316,401	$ 207,952	$ 411,159	$ 1,038,686	$ 13,303	$ 3,792,813
Agriculture									
Pass	$ 57,282	$ 121,511	$ 85,485	$ 39,930	$ 56,638	$ 106,969	$ 209,154	$ 550	$ 677,519
Special mention	—	3,398	1,366	163	—	2,371	7,962	—	15,260
Substandard	—	6,022	10,424	2,693	4,140	3,194	31,804	744	59,021
Total agriculture	$ 57,282	$ 130,931	$ 97,275	$ 42,786	$ 60,778	$ 112,534	$ 248,920	$ 1,294	$ 751,800
Construction									
Pass	$ 41,447	$ 130,122	$ 44,121	$ 7,909	$ 3,471	$ 5,579	$ 31,682	$ —	$ 264,331
Special mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	18,148	—	—	55	—	—	18,203
Total construction	$ 41,447	$ 130,122	$ 62,269	$ 7,909	$ 3,471	$ 5,634	$ 31,682	$ —	$ 282,534
Consumer loans:									
One-to-four family residential real estate									
Pass	$ 106,212	$ 157,286	$ 68,489	$ 53,753	$ 25,686	$ 88,323	$ 228,917	$ 308	$ 728,974
Special mention	—	—	—	—	—	125	—	—	125
Substandard	—	835	1,381	245	491	2,735	309	219	6,215
Total one-to-four family real estate	$ 106,212	$ 158,121	$ 69,870	$ 53,998	$ 26,177	$ 91,183	$ 229,226	$ 527	$ 735,314
Other consumer									
Pass	$ 2,107	$ 3,595	$ 2,807	$ 3,250	$ 871	$ 1,211	$ 17,277	$ 610	$ 31,728
Substandard	—	36	39	—	3	3	36	97	214
Total consumer	$ 2,107	$ 3,631	$ 2,846	$ 3,250	$ 874	$ 1,214	$ 17,313	$ 707	$ 31,942
Total	$ 998,511	$ 1,934,401	$ 1,318,312	$ 919,885	$ 826,670	$ 2,042,270	$ 1,617,657	$ 18,612	$ 9,676,318
Less:									
Allowance for credit losses									148,294
Loans, net									$ 9,528,024

(1) Loans that are on short-term deferments are treated as Pass loans and will not be reported as past due provided that they are performing in accordance with the modified terms.

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	2020	2019	2018	2017	2016	Prior			
December 31, 2020					*(in thousands)*				
Commercial loans:									
Commercial real estate									
Pass	$ 674,444	$ 645,328	$ 478,881	$ 502,112	$ 408,972	$ 946,980	$ 52,049	$ 11,332	$ 3,720,098
Special mention	3,348	39,374	21,285	30,232	46,197	50,115	5	2,139	192,695
Substandard	2,916	24,860	13,571	15,652	43,735	41,138	3,389	4,259	149,520
Total commercial real estate	$ 680,708	$ 709,562	$ 513,737	$ 547,996	$ 498,904	$ 1,038,233	$ 55,443	$ 17,730	$ 4,062,313
Commercial business									
Pass	$ 1,087,400	$ 366,435	$ 324,360	$ 199,010	$ 218,313	$ 214,677	$ 1,000,725	$ 11,540	$ 3,422,460
Special mention	3,002	26,361	8,471	24,582	7,004	10,650	22,426	—	102,496
Substandard	3,625	7,376	11,061	5,905	6,396	3,743	32,134	2,772	73,012
Total commercial business	$ 1,094,027	$ 400,172	$ 343,892	$ 229,497	$ 231,713	$ 229,070	$ 1,055,285	$ 14,312	$ 3,597,968
Agriculture									
Pass	$ 142,163	$ 90,612	$ 44,434	$ 58,366	$ 58,893	$ 59,396	$ 244,135	$ 9,299	$ 707,298
Special mention	—	90	285	33	—	—	85	13	506
Substandard	5,193	12,480	5,868	4,258	284	3,502	38,780	1,458	71,823
Total agriculture	$ 147,356	$ 103,182	$ 50,587	$ 62,657	$ 59,177	$ 62,898	$ 283,000	$ 10,770	$ 779,627
Construction									
Pass	$ 134,693	$ 66,974	$ 10,066	$ 3,498	$ 763	$ 1,805	$ 29,323	$ 3,753	$ 250,875
Substandard	—	17,732	—	—	—	56	—	—	17,788
Total construction	$ 134,693	$ 84,706	$ 10,066	$ 3,498	$ 763	$ 1,861	$ 29,323	$ 3,753	$ 268,663
Consumer loans:									
One-to-four family real estate									
Pass	$ 161,021	$ 77,756	$ 62,696	$ 29,737	$ 20,889	$ 78,098	$ 243,325	$ 3,655	$ 677,177
Special mention	—	—	332	—	—	195	—	—	527
Substandard	—	849	227	1,166	344	1,968	1,005	307	5,866
Total one-to-four family real estate	$ 161,021	$ 78,605	$ 63,255	$ 30,903	$ 21,233	$ 80,261	$ 244,330	$ 3,962	$ 683,570
Other consumer									
Pass	$ 5,548	$ 3,109	$ 3,886	$ 989	$ 244	$ 1,060	$ 19,911	$ 474	$ 35,221
Substandard	30	—	—	5	—	170	53	40	298
Total consumer	$ 5,578	$ 3,109	$ 3,886	$ 994	$ 244	$ 1,230	$ 19,964	$ 514	$ 35,519
Total	$ 2,223,383	$ 1,379,336	$ 985,423	$ 875,545	$ 812,034	$ 1,413,553	$ 1,687,345	$ 51,041	$ 9,427,660
Less:									
Allowance for credit losses									149,140
Loans, net									$ 9,278,520

6. Other Real Estate Owned

The following tables set forth activity in OREO for the periods indicated:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in thousands)	
Balance, beginning of period	$ 553	$ 552
Proceeds from sale of OREO property	(132)	(42)
Gain on sale of OREO, net	100	—
Balance, end of period	$ 521	$ 510

At March 31, 2021, there were no foreclosed residential real estate properties held as OREO. The recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process was $167 thousand.

7. 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, 2020 and concluded that there was no impairment.

Our CDIs are evaluated for impairment if events and circumstances indicate a possible impairment. Each CDI is amortized on an accelerated basis over an estimated life of 10 years.

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in thousands)	
Goodwill		
Total goodwill	$ 765,842	$ 765,842
Other intangible assets, net		
CDI:		
Gross CDI balance at beginning of period	105,473	105,473
Accumulated amortization at beginning of period	(79,658)	(70,934)
CDI, net at beginning of period	25,815	34,539
CDI current period amortization	(1,924)	(2,310)
Total CDI, net at end of period	23,891	32,229
Intangible assets not subject to amortization	919	919
Other intangible assets, net at end of period	24,810	33,148
Total goodwill and other intangible assets at end of period	$ 790,652	$ 798,990

The following table provides the estimated future amortization expense of our CDI for the remaining nine months ending December 31, 2021 and the succeeding four years:

	Year ending December 31,
	(in thousands)
2021	$ 5,340
2022	5,880
2023	4,552
2024	3,432
2025	2,415

8. Revolving Line of Credit

The Company has a $15.0 million short-term credit facility with an unaffiliated bank that expires May 27, 2021. This facility has a variable interest rate and provides the Company additional liquidity, if needed, for various corporate activities including the repurchase of shares of Columbia Banking System, Inc. common stock. There was no outstanding balance at both March 31, 2021 and December 31, 2020. The credit agreement requires the Company to comply with certain covenants including those related to asset quality and capital levels. The Company was in compliance with all covenants associated with this facility at March 31, 2021.

9. Derivatives, Hedging Activities and Balance Sheet Offsetting

The Company is exposed to certain risks arising from both its business and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into interest rate-based derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's loan portfolio.

The Company's objectives in using interest rate derivatives are to add stability to interest income and to manage its exposure to interest rate movements. To accomplish this objective, the Company used an interest rate collar as part of its interest rate risk management strategy. Interest rate collars designated as cash flow hedges involve the payments of variable-rate amounts if interest rates rise above the cap strike rate on the contract and receipts of variable-rate amounts if interest rates fall below the floor strike rate on the contract. These derivative contracts were used to hedge the variable cash flows associated with existing variable-rate assets.

With respect to derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in accumulated other comprehensive income (loss) and subsequently reclassified into interest income in the same period(s) during which the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive income (loss) related to derivatives are reclassified to interest income as interest payments are received on the Company's variable-rate assets. During the next 12 months, the Company estimates that there will be $10.4 million reclassified as an increase to interest income.

The Company may use derivatives to hedge the risk or changes in the fair values of interest rate lock commitments and residential mortgage loans held for sale. These derivatives are not designated as hedging instruments. Rather, they are accounted for as free-standing derivatives, or economic hedges, with changes in the fair value of the derivatives reported in income. The Company primarily utilizes interest rate forward loan sales contracts in its derivative risk management strategy.

The Company enters into forward delivery contracts to sell residential mortgage loans to broker-dealers at specific prices and dates in order to hedge the interest rate risk in its portfolio of mortgage loans held for sale and its residential mortgage interest rate lock commitments. Credit risk associated with forward contracts is limited to the replacement cost of those forward contracts in a gain position. There were no counterparty default losses on forward contracts during the three months ended March 31, 2021 and 2020. Market risk with respect to forward contracts arises principally from changes in the value of contractual positions due to changes in interest rates. The Bank limits its exposure to market risk by monitoring differences between commitments to customers and forward contracts with broker-dealers. In the event the Company has forward delivery contract commitments in excess of available mortgage loans, the Company completes the transaction by either paying or receiving a fee to or from the broker-dealer equal to the increase or decrease in the market value of the forward contract. At March 31, 2021, the Bank had commitments to originate mortgage loans held for sale totaling $60.1 million and forward sales commitments of $48.5 million, which are used to hedge both on-balance sheet and off-balance sheet exposures.

In addition, the Company periodically enters into certain commercial loan interest rate swap agreements in order to provide commercial loan customers the ability to convert from variable to fixed interest rates. Under these agreements, the Company enters into a variable-rate loan agreement with a customer in addition to a swap agreement. This swap agreement effectively converts the customer's variable rate loan into a fixed rate. The Company then enters into a corresponding swap agreement with a third-party in order to offset its exposure on the variable and fixed components of the customer agreement. As the interest rate swap agreements with the customers and third parties are not designated as hedges under the Derivatives and Hedging topic of the FASB ASC, the instruments are marked to market in earnings. The notional amount of open interest rate swap agreements at March 31, 2021 and December 31, 2020 was $635.1 million and $597.9 million, respectively.

The following table presents the fair value of derivatives, as well as their classification on the Consolidated Balance Sheet as of the dates presented:

	Asset Derivatives				**Liability Derivatives**			
	March 31, 2021		**December 31, 2020**		**March 31, 2021**		**December 31, 2020**	
	Balance Sheet Location	**Fair Value**	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
				(in thousands)				
Derivatives not designated as hedging instruments:								
Interest rate lock commitments	Other assets	$ 925	Other assets	$ 1,096	Other liabilities	$ —	Other liabilities	$ —
Interest rate forward loan sales contracts	Other assets	$ 505	Other assets	$ —	Other liabilities	$ —	Other liabilities	$ 165
Interest rate swap contracts	Other assets	$ 32,501	Other assets	$ 46,184	Other liabilities	$ 32,769	Other liabilities	$ 46,637

The table below presents the effect of cash flow hedge accounting on accumulated other comprehensive income (loss) for the periods indicated:

	Amount of Gain or (Loss) Recognized in Accumulated Other Comprehensive Income on Derivative		**Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income**	**Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income into Income**	
	Three Months Ended March 31,			**Three Months Ended March 31,**	
	2021	**2020**		**2021**	**2020**
			(in thousands)		
Interest rate collar	$ —	$ 23,423	Interest income	$ 2,576	$ 940

In January 2019, the Company entered into a $500.0 million notional interest rate collar with a five-year term. In October 2020, the collar was terminated and resulted in a $34.4 million realized gain that was recorded in other comprehensive income, net of deferred income taxes. The gain will amortize through February 2024 into interest income. The gain will be amortized in this manner as long as the cash flows pertaining to the hedged item are expected to occur.

The following table summarizes the types of derivatives not designated as hedging instruments and the gains (losses) recorded during the periods indicated:

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Interest rate lock commitments	$ (171)	$ —
Interest rate forward loan sales contracts	670	—
Interest rate swap contracts	112	—
Total derivative gains (losses)	$ 611	$ —

The gains and losses on the Company's mortgage banking derivatives are included in loan revenue. Mark-to-market gains and losses on the Company's interest rate swap contracts are recorded to "Other" noninterest expense.

The Company is party to interest rate swap contracts, interest rate collar 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 contracts, collar 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. The collateral amounts in these tables are limited to the outstanding balances of the related asset or liability. Therefore, instances of over-collateralization 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 Pledged/Received	Net Amount
March 31, 2021			(in thousands)		
Assets					
Interest rate swap contracts	$ 32,501	$ —	$ 32,501	$ (1,960)	$ 30,541
Liabilities					
Interest rate swap contracts	$ 32,769	$ —	$ 32,769	$ (26,848)	$ 5,921
Repurchase agreements	$ 38,624	$ —	$ 38,624	$ (38,624)	$ —
December 31, 2020					
Assets					
Interest rate swap contracts	$ 46,184	$ —	$ 46,184	$ —	$ 46,184
Liabilities					
Interest rate swap contracts	$ 46,637	$ —	$ 46,637	$ (46,637)	$ —
Repurchase agreements	$ 73,859	$ —	$ 73,859	$ (73,859)	$ —

The Company's agreements with each of its derivative counterparties provide that if the Company defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

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
March 31, 2021			(in thousands)		
Class of collateral pledged for repurchase agreements					
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 38,624	$ —	$ —	$ —	$ 38,624
Gross amount of recognized liabilities for repurchase agreements					38,624
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 $38.6 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.

10. 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 2021 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 March 31, 2021 and December 31, 2020, the Company’s loan commitments amounted to $2.93 billion and $2.80 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 $30.6 million and $29.9 million at March 31, 2021 and December 31, 2020, respectively. In addition, there were $16 thousand commitments under commercial letters of credit used to facilitate customers’ trade transactions and other off-balance sheet liabilities at March 31, 2021 and there were none at December 31, 2020.

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.

11. Shareholders’ Equity

Dividends:

The following table summarizes year-to-date dividend activity:

Declared	Regular Cash Dividends Per Common Share	Special Cash Dividends Per Common Share	Record Date	Paid Date
January 28, 2021	$ 0.28	$ —	February 10, 2021	February 24, 2021

Subsequent to quarter end, on April 29, 2021, the Company declared a regular quarterly cash dividend of $0.28 per common share payable on May 26, 2021 to shareholders of record at the close of business on May 12, 2021.

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.

Share Repurchase Program:

For the three months ended March 31, 2021, the Company did not purchase any common shares under the share repurchase program.

12. Accumulated Other Comprehensive Income

The following table shows changes in accumulated other comprehensive income (loss) by component for the periods indicated:

	Unrealized Gains and Losses on Available for Sale Securities (1)	Unrealized Gains and Losses on Pension Plan Liability (1)	Unrealized Gains and Losses on Hedging Instruments (1)	Total (1)
Three Months Ended March 31, 2021		*(in thousands)*		
Beginning balance	$ 163,174	$ (5,833)	$ 24,854	$ 182,195
Other comprehensive loss before reclassifications	(102,605)	—	—	(102,605)
Amounts reclassified from accumulated other comprehensive income (2)	—	115	(1,977)	(1,862)
Net current-period other comprehensive income (loss)	(102,605)	115	(1,977)	(104,467)
Ending balance	$ 60,569	$ (5,718)	$ 22,877	$ 77,728
Three Months Ended March 31, 2020				
Beginning balance	$ 33,038	$ (3,974)	$ 11,303	$ 40,367
Other comprehensive income before reclassifications	79,696	—	17,977	97,673
Amounts reclassified from accumulated other comprehensive income (2)	(191)	80	(722)	(833)
Net current-period other comprehensive income	79,505	80	17,255	96,840
Ending balance	$ 112,543	$ (3,894)	$ 28,558	$ 137,207

(1) All amounts are net of tax. Amounts in parentheses indicate debits.
(2) See following table for details about these reclassifications.

The following table shows details regarding the reclassifications from accumulated other comprehensive income (loss) for the periods indicated:

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)		
	Three Months Ended March 31,		Affected line Item in the Consolidated Statement of Income
	2021	2020	
	(in thousands)		
Unrealized gains on available for sale debt securities	$ —	$ 249	Investment securities gains, net
	—	249	Total before tax
	—	(58)	Income tax provision
	$ —	$ 191	Net of tax
Amortization of pension plan liability actuarial losses	$ (150)	$ (104)	Compensation and employee benefits
	(150)	(104)	Total before tax
	35	24	Income tax provision
	$ (115)	$ (80)	Net of tax
Unrealized gains from hedging instruments	$ 2,576	$ 940	Loans
	2,576	940	Total before tax
	(599)	(218)	Income tax provision
	$ 1,977	$ 722	Net of tax

13. Fair Value Accounting and Measurement

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

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

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

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

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

Fair values are determined as follows:

Debt securities available for sale 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 debt securities available for sale.

Loans held for sale include the fair value of residential mortgage loans originated as held for sale determined based on quoted secondary market prices for similar loans, including the implicit fair value of embedded servicing rights. The change in fair value of loans held for sale is primarily driven by changes in interest rates subsequent to loan funding and changes in the fair value of the related servicing asset, resulting in revaluation adjustments to the recorded fair value.

The fair values of the interest rate lock commitments and interest rate forward loan sales contracts are estimated using quoted or published market prices for similar instruments, adjusted for factors such as pull-through rate assumptions based on historical information, where appropriate. The pull-through rate assumptions are considered Level 3 valuation inputs and are significant to the interest rate lock commitment valuation; as such, the interest rate lock commitment derivatives are classified as Level 3.

Interest rate contracts and the interest rate collar 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 the dates presented 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
March 31, 2021		(in thousands)		
Assets				
Debt securities available for sale:				
U.S. government agency and government-sponsored enterprise mortgage-back securities and collateralized mortgage obligations	$ 4,104,219	$ —	$ 4,104,219	$ —
Other asset-backed securities	358,819	—	358,819	—
State and municipal securities	751,285	—	751,285	—
U.S. government agency and government-sponsored enterprise securities	281,967	—	281,967	—
Total debt securities available for sale	$ 5,496,290	$ —	$ 5,496,290	$ —
Loans held for sale	$ 25,587	$ —	$ 25,587	$ —
Other assets:				
Interest rate lock commitments	$ 925	$ —	$ —	$ 925
Interest rate forward loan sales contracts	$ 505	$ —	$ 505	$ —
Interest rate contracts	$ 32,501	$ —	$ 32,501	$ —
Liabilities				
Other liabilities:				
Interest rate contracts	$ 32,769	$ —	$ 32,769	$ —

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Level 1	Level 2	Level 3
December 31, 2020		(in thousands)		
Assets				
Debt securities available for sale:				
U.S. government agency and government-sponsored enterprise mortgage-back securities and collateralized mortgage obligations	$ 3,814,387	$ —	$ 3,814,387	$ —
Other asset-backed securities	357,479	—	357,479	—
State and municipal securities	753,572	—	753,572	—
U.S. government agency and government-sponsored enterprise securities	284,696	—	284,696	—
Total debt securities available for sale	$ 5,210,134	$ —	$ 5,210,134	$ —
Loans held for sale	$ 14,760	$ —	$ 14,760	$ —
Other assets:				
Interest rate lock commitments	$ 1,096	$ —	$ —	$ 1,096
Interest rate contracts	$ 46,184	$ —	$ 46,184	$ —
Liabilities				
Other liabilities:				
Interest rate forward loan sales contracts	$ 165	$ —	$ 165	$ —
Interest rate contracts	$ 46,637	$ —	$ 46,637	$ —

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)

The following table provides a description of the valuation technique, significant unobservable inputs, and qualitative information about the unobservable inputs for the Company's assets and liabilities classified as Level 3 and measured at fair value on a recurring basis at the dates presented:

	Fair Value at March 31, 2021	Valuation Technique	Unobservable Input	Range (Weighted Average)
		(dollars in thousands)		
Interest rate lock commitments	$ 925	Internal pricing model	Pull-through rate	79.87% - 100.00% (90.39%)

An increase in the pull-through rate utilized in the fair value measurement of the interest rate lock commitment derivative will result in positive fair value adjustments (and an increase in the fair value measurement). Conversely, a decrease in the pull-through rate will result in a negative fair value adjustment (and a decrease in the fair value measurement).

The following table includes a rollforward of interest rate lock commitments which utilize Level 3 inputs to determine the fair value on a recurring basis.

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Balance at the beginning of the period	$ 1,096	$ —
Change included in earnings	1,710	—
Settlements	(1,881)	—
Balance at the end of the period	$ 925	$ —

Nonrecurring Measurements

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition such as collateral dependent loans. The following valuation techniques and inputs were used to estimate the fair value of collateral dependent loans and equity securities without readily determinable fair value.

Collateral dependent loans - A collateral dependent loan is a loan in which repayment is expected to be provided solely by the underlying collateral. The fair market value of the collateral is determined by either the discounted expected future cash flows from the operation of the collateral or the appraised value of the collateral, less costs to sell. The collateral dependent loan valuations are performed in conjunction with the allowance for credit losses process on a quarterly basis.

Equity securities without readily determinable fair value - The Company measures equity securities without readily determinable fair values at cost less impairment (if any), plus or minus observable price changes from an identical or similar investment of the same issuer, with such changes recognized in earnings. Our equity securities without readily determinable fair values consist of 77,683 Visa Class B shares. These shares are currently subject to certain transfer restrictions and will be convertible into Visa Class A shares upon final resolution of certain litigation matters involving Visa. For additional information, please see Note 3 to the Consolidated Financial Statements in “Item 1. Financial Statements (unaudited)” of this report.

The following table presents the carrying value of equity securities, without readily determinable fair values, still held as of March 31, 2021, that are measured under the measurement alternative and related adjustments recorded during the periods presented for those securities with observable price changes. These securities are included in the nonrecurring fair value tables when applicable price changes are observable.

	Three Months Ended March 31,	
	2021	2020
Equity securities without readily determinable fair values	(in thousands)	
Carrying value, beginning of period	$ 13,425	$ —
Upward carrying value changes	—	—
Carrying value, end of period	$ 13,425	$ —

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

	Fair Value at March 31, 2021	Fair Value Measurements at Reporting Date Using			Losses During the Three Months Ended March 31, 2021
		Level 1	Level 2	Level 3	
			(in thousands)		
Collateral dependent loans	$ 1,520	$ —	$ —	$ 1,520	$ 722

	Fair Value at March 31, 2020	Fair Value Measurements at Reporting Date Using			Losses During the Three Months Ended March 31, 2020
		Level 1	Level 2	Level 3	
			(in thousands)		
Collateral dependent loans	$ 3,043	$ —	$ —	$ 3,043	$ 5,138

The losses on collateral dependent loans disclosed above represent the amount of the allowance for credit losses and/or charge-offs during the period applicable to loans held at period-end. The amount of the allowance is included in the ACL.

Quantitative information about Level 3 fair value measurements

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

	Fair Value at March 31, 2021	Valuation Technique	Unobservable Input	Range (Weighted Average) (1)
		(dollars in thousands)		
Collateral dependent loans (2)	$ 1,520	Fair Market Value of Collateral	Adjustment to Stated Value	42.96% - 75.00% (59.53%)

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

(2) Collateral consists of accounts receivable and fixed assets.

	Fair Value at March 31, 2020	Valuation Technique	Unobservable Input	Range (Weighted Average) (1)
		(dollars in thousands)		
Collateral dependent loans (2)	$ 3,043	Fair Market Value of Collateral	Adjustment to Stated Value	0.00% - 100.00% (59.78%)

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

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

The following tables summarize carrying amounts and estimated fair values of selected financial instruments by level within the fair value hierarchy at the dates presented:

	March 31, 2021				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(in thousands)				
Assets					
Cash and due from banks	$ 178,096	$ 178,096	$ 178,096	$ —	$ —
Interest-earning deposits with banks	706,389	706,389	706,389	—	—
Debt securities available for sale	5,496,290	5,496,290	—	5,496,290	—
FHLB stock	10,280	10,280	—	10,280	—
Loans held for sale	26,176	26,176	—	26,176	—
Loans	9,528,024	9,948,104	—	—	9,948,104
Interest rate contracts	32,501	32,501	—	32,501	—
Interest rate lock commitments	925	925	—	—	925
Interest rate forward loan sales contracts	505	505	—	505	—
Liabilities					
Time deposits	$ 336,918	$ 333,169	$ —	$ 333,169	$ —
FHLB advances	7,400	8,764	—	8,764	—
Repurchase agreements	38,624	38,624	—	38,624	—
Subordinated debentures	35,046	35,102	—	35,102	—
Interest rate contracts	32,769	32,769	—	32,769	—

	December 31, 2020				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(in thousands)				
Assets					
Cash and due from banks	$ 218,899	$ 218,899	$ 218,899	$ —	$ —
Interest-earning deposits with banks	434,867	434,867	434,867	—	—
Debt securities available for sale	5,210,134	5,210,134	—	5,210,134	—
FHLB stock	10,280	10,280	—	10,280	—
Loans held for sale	26,481	26,481	—	26,481	—
Loans	9,278,520	9,720,592	—	—	9,720,592
Interest rate contracts	46,184	46,184	—	46,184	—
Interest rate lock commitments	1,096	1,096	—	—	1,096
Liabilities					
Time deposits	$ 338,845	$ 338,815	$ —	$ 338,815	$ —
FHLB advances and FRB borrowings	7,414	9,295	—	9,295	—
Repurchase agreements	73,859	73,859	—	73,859	—
Subordinated debentures	35,092	35,414	—	35,414	—
Interest rate contracts	46,637	46,637	—	46,637	—
Interest rate forward loan sales contracts	165	165	—	165	—

The following table presents the difference between the aggregate fair value and the aggregate unpaid principal balance of loans held for sale sold under the mandatory delivery method and accounted for under the fair value option as of the dates presented:

March 31,					
2021			2020		
Fair Value	Aggregate Unpaid Principal Balance	Fair Value Less Aggregate Unpaid Principal Balance	Fair Value	Aggregate Unpaid Principal Balance	Fair Value Less Aggregate Unpaid Principal Balance
(in thousands)					
$ 25,587	$ 25,167	$ 420	$ —	$ —	$ —

Residential mortgage loans held for sale that are sold under the mandatory delivery method and accounted for under the fair value option are measured initially at fair value with subsequent changes in fair value recognized in earnings. Gains and losses from such changes in fair value are reported in loan revenue. For the three months ended March 31, 2021, the Company recorded a net decrease in fair value of $88 thousand representing the change in fair value reflected in earnings. For the three months ended March 31, 2020, there were no such loans held for sale under the mandatory delivery method. At March 31, 2021 and 2020, there were no residential mortgage loans held for sale for which the fair value option was elected that were 90 days or more past due, in nonaccrual status or both.

14. Earnings Per Common Share

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

The following table sets forth the computation of basic and diluted EPS for the periods presented:

	Three Months Ended March 31,	
	2021	2020
	(in thousands except per share amounts)	
Basic EPS:		
Net income	$ 51,853	$ 14,628
Less: Earnings allocated to participating securities:		
Nonvested restricted shares	155	249
Earnings allocated to common shareholders	$ 51,698	$ 14,379
Weighted average common shares outstanding	70,869	71,206
Basic earnings per common share	$ 0.73	$ 0.20
Diluted EPS:		
Earnings allocated to common shareholders	$ 51,698	$ 14,379
Weighted average common shares outstanding	70,869	71,206
Dilutive effect of equity awards	240	58
Weighted average diluted common shares outstanding	71,109	71,264
Diluted earnings per common share	$ 0.73	$ 0.20
Potentially dilutive RSAs and RSUs that were not included in the computation of diluted EPS because to do so would be anti-dilutive	70	6

15. 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 periods presented:

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Noninterest income:		
Revenue from contracts with customers:		
Deposit account and treasury management fees	$ 6,358	$ 7,788
Card revenue	3,733	3,518
Financial services and trust revenue	3,381	3,065
Total revenue from contracts with customers	13,472	14,371
Other sources of noninterest income	9,694	6,836
Total noninterest income	$ 23,166	$ 21,207

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, 2020 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, as well as the continuing effects of the COVID-19 pandemic on the Company’s business, operations, financial performance and prospects. 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, and Quarterly Reports on Form 10-Q, 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 asset yields and funding sources;
- the effect of the discontinuation or replacement of LIBOR;
- results of operations following strategic expansion, including the impact of acquired loans on our earnings, could differ from expectations;
- changes in the scope and cost of FDIC insurance and other coverages;
- changes in accounting policies or procedures as may be required by the FASB or other regulatory agencies could materially affect our financial statements and how we report those results, and expectations and preliminary analysis relating to how such changes will affect our financial results could prove incorrect;
- 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;
- increased competition among financial institutions and nontraditional providers of financial services;
- continued consolidation in the Northwest financial services industry resulting in the creation of larger financial institutions that 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;
- 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;
- failure to maintain effective internal control over financial reporting or disclosure controls and procedures;
- 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;
- the effect of COVID-19 and other infectious illness outbreaks that may arise in the future, which has created significant impacts and uncertainties in U.S. and global markets;
- changes in governmental policy and regulation, including measures taken in response to economic, business, political and social conditions, including with regard to COVID-19; 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 ACL, 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 Credit Losses,” “Business Combinations” and “Valuation and Recoverability of Goodwill” in our 2020 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 2020 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.

COVID-19 Update

We continue to adapt to evolving COVID-19 guidance from federal, state and local healthcare officials as the availability of vaccines increases throughout the Northwest. Efforts to mitigate the spread of the virus in all of our locations continue to include our enhanced cleaning protocols, social distancing and the use of face coverings. These protocols continue to prove effective in keeping our branches open, allowing us to continue to serve existing and new clients without disruption.

Vaccine availability continued to improve throughout the quarter in all areas of our footprint. We periodically updated team members on vaccination information to help reduce the confusion stemming from the diversity of approaches to availability and scheduling in each county. These communications directed employees to state and local government resources for support with scheduling appointments as well as information on the safety and efficacy of the vaccines.

Support for team members with school-aged children continued throughout the quarter as school districts migrated from distanced learning arrangements to a hybrid approach combining distanced learning with two or three days per week of in-person learning. We continued to provide flexibility through a variety of options including shift changes, temporary remote work assignments and other accommodations to help team members navigate the changes successfully.

For additional information on the impact and potential impact of COVID-19 on our business, financial condition, liquidity, capital and results of operations, see Part II Item 1A “Risk Factors” of this report.

Earnings Summary

Comparison of current quarter to prior year period

The Company reported net income for the first quarter of $51.9 million or $0.73 per diluted common share, compared to $14.6 million or $0.20 per diluted common share for the first quarter of 2020. Net interest income for the three months ended March 31, 2021 was $124.0 million, an increase of $1.6 million from the prior year period. The increase was primarily a result of a reduction in interest expense on FHLB advances and deposits partially offset by a decline in interest income on loans.

The provision for credit losses for the first quarter of 2021 was a recapture of $800 thousand compared to a provision of $41.5 million for the first quarter of 2020. The decrease in provision expense for the first quarter of 2021 compared to the first quarter of 2020 was principally the result of improved economic forecast as the economy is recovering from the COVID-19 pandemic.

Noninterest income for the current quarter was $23.2 million, an increase of $2.0 million from the prior year period. The increase was principally due to an increase in loan revenue partially offset by a decrease in deposit account and treasury management fees.

Total noninterest expense for the quarter ended March 31, 2021 was $83.6 million, a decrease of $712 thousand from the prior year period. This decrease was primarily driven by lower compensation and employee benefits expense partially offset by increases in data process and software and regulatory premiums.

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 March 31, 2021			Three Months Ended March 31, 2020		
	Average Balances	Interest Earned / Paid	Average Rate	Average Balances	Interest Earned / Paid	Average Rate
	(dollars in thousands)					
ASSETS						
Loans, net (1)(2)	$ 9,586,984	$ 101,477	4.29 %	$ 8,815,755	$ 108,665	4.96 %
Taxable securities	4,624,175	22,816	2.00 %	3,209,110	21,088	2.64 %
Tax exempt securities (2)	606,129	3,492	2.34 %	409,457	2,914	2.86 %
Interest-earning deposits with banks	602,083	152	0.10 %	53,228	141	1.07 %
Total interest-earning assets	15,419,371	127,937	3.36 %	12,487,550	132,808	4.28 %
Other earning assets	242,684			232,361		
Noninterest-earning assets	1,229,627			1,275,721		
Total assets	$ 16,891,682			$ 13,995,632		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Money market accounts	3,450,750	699	0.08 %	2,633,931	1,728	0.26 %
Interest-bearing demand	1,449,642	265	0.07 %	1,125,691	484	0.17 %
Savings accounts	1,221,431	40	0.01 %	897,276	43	0.02 %
Interest-bearing public funds, other than certificates of deposit	663,158	276	0.17 %	355,401	903	1.02 %
Certificates of deposit	336,319	205	0.25 %	370,904	484	0.52 %
Total interest-bearing deposits	7,121,300	1,485	0.08 %	5,383,203	3,642	0.27 %
FHLB advances and FRB borrowings	7,408	72	3.94 %	909,110	4,229	1.87 %
Subordinated debentures	35,072	468	5.41 %	35,253	468	5.34 %
Other borrowings and interest-bearing liabilities	53,691	23	0.17 %	48,365	136	1.13 %
Total interest-bearing liabilities	7,217,471	2,048	0.12 %	6,375,931	8,475	0.53 %
Noninterest-bearing deposits	7,091,316			5,239,176		
Other noninterest-bearing liabilities	236,302			187,474		
Shareholders' equity	2,346,593			2,193,051		
Total liabilities & shareholders' equity	$ 16,891,682			$ 13,995,632		
Net interest income (tax equivalent)		$ 125,889			$ 124,333	
Net interest margin (tax equivalent)			3.31 %			4.00 %

(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 $8.3 million and $2.4 million for the three months ended March 31, 2021 and 2020, respectively. The incremental accretion income on acquired loans was $1.1 million and $1.5 million for the three months ended March 31, 2021 and 2020, respectively.

(2) Tax-exempt income is calculated on a tax equivalent basis. The tax equivalent yield adjustment to interest earned on loans was $1.2 million and $1.3 million for the three months ended March 31, 2021 and 2020, respectively. The tax equivalent yield adjustment to interest earned on tax exempt securities was $733 thousand and $612 thousand for the three months ended March 31, 2021 and 2020, respectively.

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

	Three Months Ended March 31, 2021 Compared to 2020 Increase (Decrease) Due to		
	Volume	Rate	Total (1)
		(in thousands)	
Interest Income			
Loans, net	$ 8,993	$ (16,181)	$ (7,188)
Taxable securities	7,819	(6,091)	1,728
Tax exempt securities	1,209	(631)	578
Interest-earning deposits with banks	244	(233)	11
Interest income	$ 18,265	$ (23,136)	$ (4,871)
Interest Expense			
Deposits:			
Money market accounts	$ 421	$ (1,450)	$ (1,029)
Interest-bearing demand	113	(332)	(219)
Savings accounts	13	(16)	(3)
Interest-bearing public funds, other than certificates of deposit	449	(1,076)	(627)
Certificates of deposit	(42)	(237)	(279)
Total interest on deposits	954	(3,111)	(2,157)
FHLB advances and FRB borrowings	(6,356)	2,199	(4,157)
Other borrowings and interest-bearing liabilities	18	(131)	(113)
Interest expense	$ (5,384)	$ (1,043)	$ (6,427)

(1) The change in interest not due solely to volume or rate has been allocated in proportion to the absolute dollar amount of the change in each.

Comparison of current quarter to prior year period

Net interest income for the first quarter of 2021 was $124.0 million, up from $122.4 million for the same quarter in 2020. The increase was primarily a result of a reduction in interest expense on FHLB advances and deposits, partially offset by a decline in interest income on loans. The decrease in interest expense was due to lower average balances of FHLB advances and lower rates on deposits. The decline in interest income from loans was mainly due to lower average rates.

The Company's net interest margin (tax equivalent) decreased to 3.31% in the first quarter of 2021, from 4.00% for the prior year period. This decrease was driven by higher average interest-earning deposits with banks at an average rate of 10 basis points as well as lower rates on the loan and securities portfolios. The Company's operating net interest margin (tax equivalent)[(1)] decreased to 3.30% from 4.02% during the first quarter of 2020. The decrease was due to the items previously noted for the decrease in the net interest margin.

(1) Operating net interest margin (tax equivalent) is a non-GAAP financial measure. See the "Non-GAAP financial measures" section in this Management's Discussion and Analysis.

Provision for Credit Losses

Comparison of current quarter to prior year period

During the first quarter of 2021, the Company recorded an $800 thousand net provision recapture for credit losses compared to a $41.5 million net provision during the first quarter of 2020. The decrease in provision expense and resulting recapture for the first quarter of 2021 compared to the first quarter of 2020 was principally the result of an improved economic forecast as the economy is recovering from the COVID-19 pandemic.

The net provision recapture for credit losses recorded during the current quarter also reflected management's ongoing assessment of the credit quality of the Company's loan portfolio. Other factors affecting the provision include net charge-offs, credit quality migration, and the size and composition of the loan portfolio and changes in the economic environment during the first quarter of 2021. The amount of provision was calculated in accordance with the Company's methodology for determining the ACL, discussed in Note 5 to the Consolidated Financial Statements in "Item 1. Financial Statements (unaudited)" of this report.

Noninterest Income

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

	Three Months Ended March 31,			
	2021	**2020**	**$ Change**	**% Change**
	(dollars in thousands)			
Deposit account and treasury management fees	$ 6,358	$ 7,788	$ (1,430)	(18)%
Card revenue	3,733	3,518	215	6 %
Financial services and trust revenue	3,381	3,065	316	10 %
Loan revenue	7,369	4,590	2,779	61 %
Bank owned life insurance	1,560	1,596	(36)	(2)%
Investment securities gains, net	—	249	(249)	(100)%
Other	765	401	364	91 %
Total noninterest income	$ 23,166	$ 21,207	$ 1,959	9 %

Comparison of current quarter to prior year period

Noninterest income was $23.2 million for the first quarter of 2021, compared to $21.2 million for the same period in 2020. The increase was principally due to an increase in loan revenue partially offset by a decrease in deposit account and treasury management fees. The increase in loan revenue was due to mortgage banking revenue, which increased due to higher loan volume and increased premium per loan on sold loans. The decrease in deposit account and treasury management fees was driven by a decrease in overdraft fees of $988 thousand compared to the same quarter in 2020 due to an overall decrease in the number of transactions amidst the pandemic as well as clients generally carrying higher cash balances in their deposit accounts.

Noninterest Expense

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

	Three Months Ended March 31,			
	2021	2020	$ Change	% Change (1)
	(dollars in thousands)			
Compensation and employee benefits	$ 51,736	$ 54,842	$ (3,106)	(6) %
Occupancy	9,006	9,197	(191)	(2) %
Data processing and software	8,451	7,099	1,352	19 %
Legal and professional fees	2,815	2,102	713	34 %
Amortization of intangibles	1,924	2,310	(386)	(17) %
B&O taxes	1,259	624	635	102 %
Advertising and promotion	760	1,305	(545)	(42) %
Regulatory premiums	1,105	34	1,071	N/M
Net cost (benefit) of operation of OREO	(63)	12	(75)	(625) %
Other	6,566	6,746	(180)	(3) %
Total noninterest expense	$ 83,559	$ 84,271	$ (712)	(1) %

1) Percentage changes greater than +/- 1000% are considered not meaningful and are presented as "N/M."

Comparison of current quarter to prior year period

Noninterest expense was $83.6 million for the first quarter of 2021, a decrease of $712 thousand from $84.3 million for the prior year period. This decrease was primarily driven by a decrease in compensation and employee benefits expense partially offset by increases in data processing and software expense and regulatory premiums. The decrease in compensation and employee benefits expense is most attributable to labor costs related to the origination of PPP loans, which are capitalized and amortized as a reduction to interest income over the life of the loan. The increase in data processing and software expense was driven by additional data processing expense associated with PPP loans. The increase in regulatory premiums was the result of the Bank utilizing a portion of its Small Bank Assessment Credit during the first quarter of 2020 to pay for FDIC deposit insurance premiums. The final portion of the credit was utilized during the second quarter of 2020.

The provision for unfunded loan commitments for the periods indicated are as follows:

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Provision for unfunded loan commitments	$ 1,500	$ 1,000

Income Taxes

We recorded an income tax provision of $12.5 million for the first quarter of 2021, compared to a provision of $3.2 million for the same period in 2020, with effective tax rates of 19% and 18% for the first quarter of 2021 and 2020, respectively. Our effective tax rate remains lower than the statutory tax rate due to tax-exempt income from municipal securities, BOLI and certain loan receivables. For additional information, please refer to the Company's annual report on Form 10-K for the year ended December 31, 2020.

FINANCIAL CONDITION

Total assets were $17.34 billion at March 31, 2021, an increase of $750.3 million from December 31, 2020. Cash and cash equivalents increased $230.7 million. Loans increased $248.7 million during the first three months of 2021, which was primarily the result of new loan production, supplemented by PPP loans, partially offset by loan payments and a decrease in line utilization. Debt securities available for sale were $5.50 billion at March 31, 2021, an increase of $286.2 million from December 31, 2020. Total liabilities were $15.06 billion as of March 31, 2021, an increase of $822.9 million from December 31, 2020. The increase was primarily due to an increase in demand and other noninterest-bearing deposits driven by PPP loan funds being deposited into our clients' deposit accounts.

Investment Securities

At March 31, 2021, the Company's investment portfolio primarily consisted of debt securities available for sale totaling $5.50 billion compared to $5.21 billion at December 31, 2020. The increase in the debt securities portfolio from year-end is due to $608.9 million in purchases, offset by $180.4 million in maturities, repayments and sales, a $133.7 million decline in unrealized gains and $8.6 million in premium amortization. The average duration of our debt securities investment portfolio was approximately 4 years and 11 months at March 31, 2021. 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 to determine whether a decline in fair value below amortized cost exists. Amortized cost includes adjustments made to the cost of an investment for accretion, amortization, collection of cash and previous credit losses recognized in earnings.

When the fair value of an available for sale debt security falls below the amortized cost basis, it is evaluated to determine if any of the decline in value is attributable to credit loss. Decreases in fair value attributable to credit loss would be recorded directly to earnings with a corresponding allowance for credit losses, limited by the amount that the fair value is less than the amortized cost basis. If the credit quality subsequently improves, the allowance would be reversed up to a maximum of the previously recorded credit losses. If the Company intends to sell an impaired available for sale debt security, or if it is more likely than not that the Company will be required to sell the security prior to recovering the amortized cost basis, the entire fair value adjustment would be immediately recognized in earnings with no corresponding allowance for credit losses.

At March 31, 2021, the market value of debt securities available for sale had a net unrealized gain of $78.9 million compared to a net unrealized gain of $212.6 million at December 31, 2020. The change in valuation was the result of fluctuations in market interest rates during the three months ended March 31, 2021. At March 31, 2021, the Company had $2.32 billion of debt securities available for sale with gross unrealized losses of $58.8 million; however, we did not consider these investment securities to have an indicated credit loss.

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

	March 31, 2021	December 31, 2020
	(in thousands)	
Debt securities available for sale:		
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 4,104,219	$ 3,814,387
Other asset-backed securities	358,819	357,479
State and municipal securities	751,285	753,572
U.S. government agency and government-sponsored enterprise securities	281,967	284,696
Total debt securities available for sale	$ 5,496,290	$ 5,210,134
Equity securities	13,425	13,425
Total investment securities	$ 5,509,715	$ 5,223,559

For further information on our investment portfolio and equity securities transactions, see Note 3 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, as well as 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 individually measured allowance is required for collateral dependent nonaccrual loans with balances equal to or greater than $500,000 and with respect to which foreclosure is probable. For the individually measured collateral dependent nonaccrual loan, the allowance for credit losses is equal to the difference between amortized cost of the loan and the determined value of the collateral. However, if the determined value of the collateral is greater than the amortized cost of the loan, no allowance for credit losses will be added for these loans.

For additional discussion on our methodology in managing credit risk within our loan portfolio, see the "Allowance for Credit 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 2020 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. Examinations are performed 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 real estate and commercial business loans. The following table sets forth our loan portfolio by type of loan for the dates indicated:

	March 31, 2021	% of Total	December 31, 2020	% of Total
	(dollars in thousands)			
Commercial loans:				
Commercial real estate	$ 4,081,915	42.2 %	$ 4,062,313	43.0 %
Commercial business	3,792,813	39.2 %	3,597,968	38.2 %
Agriculture	751,800	7.8 %	779,627	8.3 %
Construction	282,534	2.9 %	268,663	2.8 %
Consumer loans:				
One-to-four family residential real estate	735,314	7.6 %	683,570	7.3 %
Other consumer	31,942	0.3 %	35,519	0.4 %
Total loans	$ 9,676,318	100.0 %	$ 9,427,660	100.0 %
Loans held for sale	$ 26,176		$ 26,481	

Total loans increased $248.7 million from year-end 2020. This increase includes $494.8 million of new PPP loans, partially offset by $250.7 million of PPP loan pay downs and forgiveness from the SBA. The PPP loans were originated to provide financial support to small and medium-size businesses to cover payroll and certain other expenses during the COVID-19 pandemic. To further assist our borrowers, the Company also offered loan deferrals to support borrowers during the COVID-19 pandemic.

The following table provides additional detail related to the Company's COVID-19 deferrals:

	December 31, 2020	Ended (1)	Re-deferral	New Deferral	March 31, 2021	% Change
			(dollars in thousands)			
Number of deferrals	70	(60)	3	7	20	(71.4)%
Balance of deferrals (2)	$ 146,725	$ (102,905)	$ 17,213	$ 10,393	$ 71,426	(51.3)%

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1) Ended includes re-deferrals that have ended.
2) Balance of deferrals are gross of unearned income.

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

	March 31, 2021	December 31, 2020
	(in thousands)	
Acquisition:		
Pacific Continental	$ 7,682	$ 8,442
Intermountain	1,000	1,090
West Coast	1,489	1,695
Other	(1,500)	957
Total net discount at period end	$ 8,671	$ 12,184

Commercial Real Estate Loans: Commercial real estate 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.

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

Agriculture Loans: Agricultural lending includes agricultural real estate and production loans and lines of credit within our primary market area. We are committed to our Pacific Northwest communities offering seasonal and longer-term loans and operating lines of credit by lending officers with expertise in the agricultural communities we serve. Typical loan-to-value ratios on term loans can range from 55% to 80% depending upon the type of loan. Operating lines of credit require the borrower to provide a 20% to 25% equity investment. The debt coverage ratio is generally 1.25:1 or better on all term loans.

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 service) 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.

One-to-four Family Residential Real Estate Loans: One-to-four family residential loans, including home equity loans and lines of credit, are secured by properties located within our primary market areas and, typically, have loan-to-value ratios of 80% or lower at origination.

Other Consumer Loans: Consumer loans include automobile loans, boat and recreational vehicle financing, and other 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.

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) OPPO, if applicable.

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

	March 31, 2021	December 31, 2020
	(dollars in thousands)	
Nonperforming assets		
Nonaccrual loans:		
Commercial loans:		
Commercial real estate	$ 7,317	$ 7,712
Commercial business	13,551	13,222
Agriculture	10,629	11,614
Construction	191	217
Consumer loans:		
One-to-four family residential real estate	1,751	2,001
Other consumer	142	40
Total nonaccrual loans	33,581	34,806
OREO and OPPO	521	553
Total nonperforming assets	$ 34,102	$ 35,359
Loans, net of unearned income	$ 9,676,318	$ 9,427,660
Total assets	$ 17,335,116	$ 16,584,779
Nonperforming loans to period-end loans	0.35 %	0.37 %
Nonperforming assets to period-end assets	0.20 %	0.21 %

At March 31, 2021, nonperforming assets were $34.1 million, compared to $35.4 million at December 31, 2020. Nonperforming assets decreased $1.3 million during the three months ended March 31, 2021, primarily due to a $1.0 million decrease in nonaccrual agriculture loans. For information on OREO, see Note 6 of the Consolidated Financial Statements in "Item 1. Financial Statements (unaudited)" of this report.

Allowance for Credit Losses

The ACL is an accounting estimate of expected credit losses in our loan portfolio at the balance sheet date. The provision for credit losses is the expense recognized in the Consolidated Statements of Income to adjust the ACL 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 expected losses related to these unfunded credit facilities at the balance sheet date.

At March 31, 2021, our ACL was $148.3 million, or 1.53% of total loans (excluding loans held for sale). This compares with an ACL of $149.1 million, or 1.58% of total loans (excluding loans held for sale) at December 31, 2020 and an ACL of $122.1 million or 1.37% of total loans (excluding loans held for sale) at March 31, 2020. The decrease from year end was primarily due to a slight improvement in the economic outlook, which remains impacted by the COVID-19 pandemic and its impact on our borrowers. The ACL at March 31, 2021 does not include a reserve for the PPP loans as they are fully guaranteed by the SBA.

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(dollars in thousands)	
Beginning Balance	$ 149,140	$ 83,968
Impact of adopting ASC 326	—	1,632
Charge-offs:		
Commercial loans:		
Commercial real estate	—	(101)
Commercial business	(3,339)	(1,684)
Agriculture	—	(4,726)
Consumer loans:		
One-to-four family residential real estate	—	(10)
Other consumer	(127)	(268)
Total charge-offs	(3,466)	(6,789)
Recoveries:		
Commercial loans:		
Commercial real estate	36	14
Commercial business	3,214	860
Agriculture	12	41
Construction	46	442
Consumer loans:		
One-to-four family residential real estate	51	282
Other consumer	61	124
Total recoveries	3,420	1,763
Net charge-offs	(46)	(5,026)
Provision (recapture) for credit losses	(800)	41,500
Ending balance	148,294	122,074
Total loans, net at end of period, excluding loans held for sale	$ 9,676,318	$ 8,933,321
ACL to period-end loans	1.53 %	1.37 %
Allowance for unfunded commitments and letters of credit		
Beginning Balance	$ 8,300	$ 3,430
Impact of adopting ASC 326	—	1,570
Net changes in the allowance for unfunded commitments and letters of credit	1,500	1,000
Ending balance	$ 9,800	$ 6,000

Liquidity and Sources of Funds

Our primary sources of funds are customer deposits. Additionally, we utilize advances from the FHLB, borrowings from the FRB, sweep repurchase agreements, subordinated debentures assumed in acquisitions and a revolving line of credit 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, meet deposit withdrawals and maturing liabilities, to acquire other assets and to fund continuing operations.

In addition, we have a shelf registration statement on file with the SEC registering an unspecified amount of any combination of debt or equity securities, depository 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. We have established a branch system to serve our consumer and business depositors. Deposits increased $897.6 million from December 31, 2020. The second round of PPP loans during the three months ended March 31, 2021 had an impact on our deposits, as our clients deposited these funds into their deposit accounts. In addition, management's strategy for funding asset growth is to make use of public funds and brokered and other wholesale deposits on an as-needed basis. The Company participates in the CD Option of IntraFi Network Deposits program, which is a network that allows participating banks to offer extended FDIC deposit insurance coverage on time deposits. The Company also participates in a similar program to offer extended FDIC deposit insurance coverage on money market accounts. These extended deposit insurance programs are generally available only to existing customers and are not used as a means of generating additional liquidity. At March 31, 2021, brokered deposits, reciprocal money market accounts and other wholesale deposits (excluding public funds) totaled $665.9 million, or 4.5% of total deposits, compared to $605.9 million or 4.4% at year-end 2020. These deposits have varied maturities.

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

	March 31, 2021		December 31, 2020	
	Balance	% of Total	Balance	% of Total
	(dollars in thousands)			
Demand and other noninterest-bearing	$ 7,424,472	50.4 %	$ 6,913,214	49.8 %
Money market	2,913,689	19.7 %	2,780,922	20.1 %
Interest-bearing demand	1,512,808	10.2 %	1,433,083	10.3 %
Savings	1,282,151	8.7 %	1,169,721	8.4 %
Interest-bearing public funds, other than certificates of deposit	662,461	4.5 %	656,273	4.7 %
Certificates of deposit, less than $250,000	198,568	1.3 %	201,805	1.5 %
Certificates of deposit, $250,000 or more	107,421	0.7 %	108,935	0.8 %
Certificates of deposit insured by the CD Option of IntraFi Network Deposits	25,929	0.2 %	23,105	0.2 %
Brokered certificates of deposit	5,000	— %	5,000	— %
Reciprocal money market accounts	634,967	4.3 %	577,804	4.2 %
Total deposits	$ 14,767,466	100.0 %	$ 13,869,862	100.0 %

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 both March 31, 2021 and December 31, 2020, we had FHLB advances of $7.4 million.

We also utilize wholesale and retail repurchase agreements to supplement our funding sources. Our wholesale repurchase agreements are secured by mortgage-backed securities. At March 31, 2021 and December 31, 2020, we had deposit customer sweep-related repurchase agreements of $38.6 million and $73.9 million, respectively, which mature on a daily basis.

Subordinated debentures are another source of funding. The Company assumed $35.0 million in aggregate principal amount with its acquisition of Pacific Continental on November 1, 2017. These subordinated debentures, which are unsecured, are callable on June 30, 2021 and have a stated maturity date of June 30, 2026.

The Company has a $15.0 million short-term credit facility with an unaffiliated bank. This facility provides the Company additional liquidity, if needed, for various corporate activities including the repurchase of shares of Columbia Banking System, Inc. common stock. At both March 31, 2021 and December 31, 2020, there was no balance associated with this credit facility. The credit agreement requires the Company to comply with certain covenants including those related to asset quality and capital levels. The Company was in compliance with all covenants associated with this facility at March 31, 2021.

Management anticipates we will continue to rely on FHLB advances, FRB borrowings, the short-term credit facility and wholesale and retail repurchase agreements in the future. 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 repayments of borrowings, operating and equipment lease payments, off-balance sheet commitments to extend credit and investments in affordable housing partnerships. At March 31, 2021, we had commitments to extend credit of $2.96 billion compared to $2.83 billion at December 31, 2020.

Capital Resources

Shareholders’ equity at March 31, 2021 was $2.28 billion, compared to $2.35 billion at December 31, 2020. Shareholders’ equity was 13% and 14% of total period-end assets at March 31, 2021 and December 31, 2020, respectively.

Regulatory Capital

In July 2013, the federal bank regulators approved the Capital Rules (as discussed in our 2020 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, which were fully phased in as of January 1, 2019. As of March 31, 2021, we and the Bank met all capital adequacy requirements under the Capital Rules.

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 March 31, 2021 and December 31, 2020.

As part of its response to the impact of COVID-19, the U.S. federal regulatory agencies issued an interim final rule that provided the option to temporarily delay certain effects of CECL on regulatory capital for two years, followed by a three year transition period. The interim final rule allows bank holding companies and banks to delay for two years 100% of the day one impact of adopting CECL and 25% of the cumulative change in the reported allowance for credit losses since adopting CECL. The Company elected to adopt the interim final rule. As a result, capital ratios and amounts as of March 31, 2021 and December 31, 2020 exclude the impact of the increased allowance for credit losses related to the adoption of CECL.

The following table presents the capital ratios and the capital conservation buffer, as applicable, for the Company and its banking subsidiary as of the dates presented below:

	Company		Columbia Bank	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
CET1 risk-based capital ratio	13.09 %	12.88 %	13.33 %	13.08 %
Tier 1 risk-based capital ratio	13.09 %	12.88 %	13.33 %	13.08 %
Total risk-based capital ratio	14.66 %	14.45 %	14.58 %	14.33 %
Leverage ratio	8.84 %	8.86 %	9.09 %	9.08 %
Capital conservation buffer	6.66 %	6.45 %	6.58 %	6.33 %

Stock Repurchase Program

As described in our Annual Report on Form 10-K for the year ended December 31, 2020, our board of directors approved a stock repurchase program to repurchase up to 3.5 million shares, up to a maximum aggregate purchase price of $100.0 million. There were no share repurchases during the three months ended March 31, 2021.

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 March 31,	
	2021	2020
	(dollars in thousands)	
Operating net interest margin non-GAAP reconciliation:		
Net interest income (tax equivalent) (1)	$ 125,889	$ 124,333
Adjustments to arrive at operating net interest income (tax equivalent):		
Incremental accretion income on acquired loans	(1,055)	(1,491)
Premium amortization on acquired securities	520	1,127
Interest reversals on nonaccrual loans (2)	—	788
Operating net interest income (tax equivalent) (1)	$ 125,354	$ 124,757
Average interest earning assets	$ 15,419,371	$ 12,487,550
Net interest margin (tax equivalent) (1)	3.31 %	4.00 %
Operating net interest margin (tax equivalent) (1)	3.30 %	4.02 %

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(1) Tax-exempt interest income has been adjusted to a tax equivalent basis. The amount of such adjustment was an addition to net interest income of $1.9 million for each of the three months ended March 31, 2021 and 2020, respectively.
(2) Beginning 2021, interest reversals on nonaccrual loans is no longer a component of this non-GAAP measure.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Sensitivity

We are exposed to interest rate risk, which is the risk that changes in prevailing interest rates will adversely affect assets, liabilities, capital, income and expenses at different times or in different amounts. Generally, there are four sources of interest rate risk as described below:

Repricing risk—Repricing risk is the risk of adverse consequences from a change in interest rates that arises because of differences in the timing of when those interest rate changes affect an institution’s assets and liabilities.

Basis risk—Basis risk is the risk of adverse consequences resulting from unequal changes in the spread between two or more rates for different instruments with the same maturity.

Yield curve risk—Yield curve risk is the risk of adverse consequences resulting from unequal changes in the spread between two or more rates for different maturities for the same instrument.

Option risk—In banking, option risks are known as borrower options to prepay loans and depositor options to make deposits, withdrawals, and early redemptions. Option risk arises whenever a bank’s products give customers the right, but not the obligation, to alter the quantity or the timing of cash flows. We are also exposed to option risk in callable bonds as the counterparty may call the bonds during a low rate environment resulting in reinvestment of the proceeds at lower yields. Option risk is also present in the investment portfolio as mortgage-backed securities could prepay.

Since our earnings are primarily dependent on our ability to generate net interest income, we actively monitor and manage the effects of adverse changes in interest rates on our results of operations. Management of our interest rate risk is overseen by our board of directors, which is responsible for establishing policies and interest rate limits and approving these policies and interest rate limits annually. These policies include our asset/liability management policy, which provides guidelines for controlling our exposure to interest rate risk. These guidelines direct management to assess the impact of changes in interest rates upon both earnings and capital. These guidelines also establish limits for interest rate risk sensitivity.

We maintain an Asset/Liability Management Committee which is responsible for developing, monitoring and reviewing asset/liability processes, interest rate risk exposures, strategies and tactics. The Asset/Liability Management Committee reports on a periodic basis to our board of directors. It is the responsibility of management to execute the approved policies, develop and implement risk management strategies and to report to the board of directors on a regular basis.

Interest Rate Risk Sensitivity

We use a number of measures 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 may not be realized and, as a result, actual results will differ from our projections. In addition, variances in the timing, magnitude and frequency of interest rate changes, overall market conditions including volumes and pricing, and changes in management strategies, among other factors, will also result in variances between the projected and actual results.

Based on the results of the simulation model as of March 31, 2021, we would expect decreases in net interest income of $5 million and $21 million in year one and year two, respectively, if interest rates gradually decrease from current rates by 100 basis points. We would expect an increase in net interest income of $5 million and $40 million in year one and year two, respectively, if interest rates gradually increase from current rates by 200 basis points.

The projections are based on the current interest rate environment and we assume our balance sheet remains constant during the next two years. Short-term market interest rates are near historical lows. Loan interest rate indexes such as Prime and LIBOR are also near historical lows. Since we don’t assume negative interest rates, the downward repricing of Prime and LIBOR loans is more limited than during a higher interest rate environment. Our ability to reprice deposits downward is also limited given our low cost of funds.

The increase in low cost deposits during the quarter, particularly the increase in non-interest bearing deposits, also impacted our interest rate sensitivity. Increases in interest rates enhances net interest income since our assets tend to reprice more than our deposits. A shift in our deposit mix to interest-bearing deposits or borrowings would reduce this benefit.

On January 23, 2019, the Company entered into an interest rate collar derivative transaction with a $500.0 million notional value based on one month LIBOR. In October 2020, the collar was terminated and resulted in a $34.4 million realized gain that was recorded in other comprehensive income, net of deferred income taxes. The gain will amortize into interest income through February 2024 which is in line with the initial term of the interest rate collar. The gain will be amortized in this manner as long as the cash flows pertaining to the hedged item are expected to occur.

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 CEO and 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, 2020 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 for the year ended December 31, 2020.

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

(a) Not applicable

(b) Not applicable

(c) The following table provides information about repurchases of common stock by the Company during the quarter ended March 31, 2021:

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)
1/1/2021 - 1/31/2021	157	$ 42.00	—	3,500,000
2/1/2021 - 2/28/2021	—	—	—	3,500,000
3/1/2021 - 3/31/2021	87,346	43.63	—	3,500,000
	87,503	43.63	—	

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

(2) As described in our Annual Report on Form 10-K for the year ended December 31, 2020, the board of directors approved a stock repurchase program to repurchase up to 3.5 million shares of its outstanding stock, up to a maximum aggregate purchase price of $100.0 million through December 31, 2021.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

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.INS+	XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH+	XBRL Taxonomy Extension Schema
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase
101.LAB+	XBRL Taxonomy Extension Label Linkbase
101.PRE+	XBRL Taxonomy Extension Presentation Linkbase
101.DEF+	XBRL Taxonomy Extension Definition Linkbase
104+	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document).

+ Filed herewith

SIGNATURES

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

COLUMBIA BANKING SYSTEM, INC.

Date: May 6, 2021	By	/s/ CLINT E. STEIN
		Clint E. Stein President and Chief Executive Officer (Principal Executive Officer)
Date: May 6, 2021	By	/s/ AARON JAMES DEER
		Aaron James Deer Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: May 6, 2021	By	/s/ BROCK M. LAKELY
		Brock M. Lakely Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

EXHIBIT 31.1

CERTIFICATION

I, Clint E. Stein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Columbia Banking System, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CLINT E. STEIN

Clint E. Stein
President and
Chief Executive Officer

Date: May 6, 2021

EXHIBIT 31.2

CERTIFICATION

I, Aaron James Deer, 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/ AARON JAMES DEER

Aaron James Deer
Executive Vice President and
Chief Financial Officer

Date: May 6, 2021

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 March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Clint E. Stein, President and Chief Executive Officer, and Aaron James Deer, 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/ CLINT E. STEIN

Clint E. Stein
President and
Chief Executive Officer
Columbia Banking System, Inc.

/s/ AARON JAMES DEER

Aaron James Deer
Executive Vice President and
Chief Financial Officer
Columbia Banking System, Inc.

Dated: May 6, 2021