COLUMBIA BANK

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COMMUNITY BANK

NASDAQ:COLB

Columbia Banking System Inc.

Q1 2018

On the Call ...

Hadley S. Robbins
President & Chief Executive Officer

Clint E. Stein
Chief Operating Officer

Andy McDonald
Chief Credit Officer

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Investor Relations:
253-305-1921

First Quarter 2018 Highlights

- First quarter net income of $40.0 million; diluted earnings per share of $0.55 which included $0.04 per share negative impact from acquisition-related expenses
- Loan production for the quarter of $264.3 million
- Quarterly net interest margin of 4.22%, net of -7 basis points due to tax reform, but an increase of 2 basis points on a linked quarter basis and an increase of 2 basis points from the prior year period
- Transitioned new customers from Pacific Continental with completed systems integration
- Continued to explore and implement technology that removes complexity and makes life and work easier for our clients and our people
- Return on Average Tangible Equity[(1)] for first quarter of 15.1%

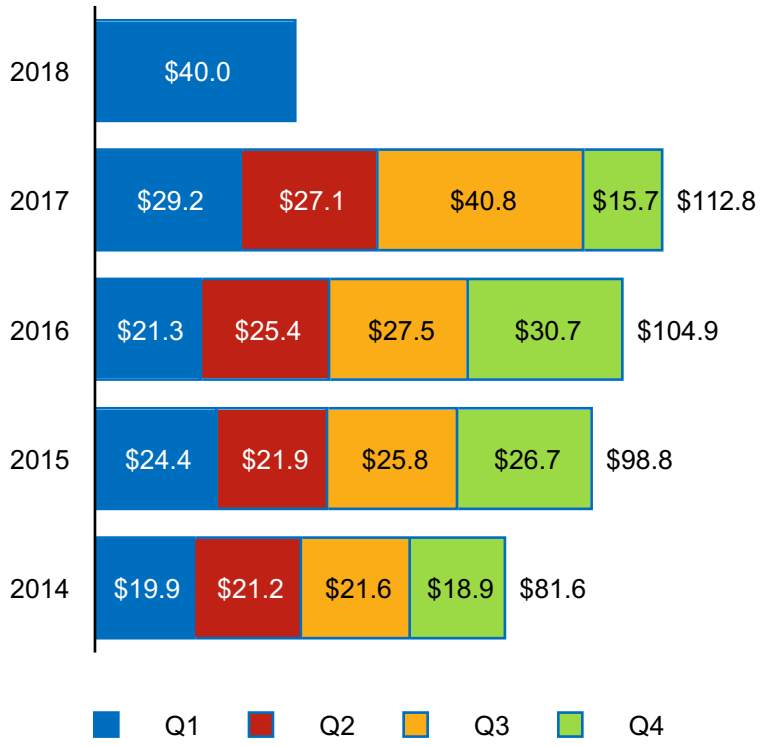
[(1)] ROATCE is a non-GAAP measure. Refer to end of presentation for more information.

Forward Looking Statements

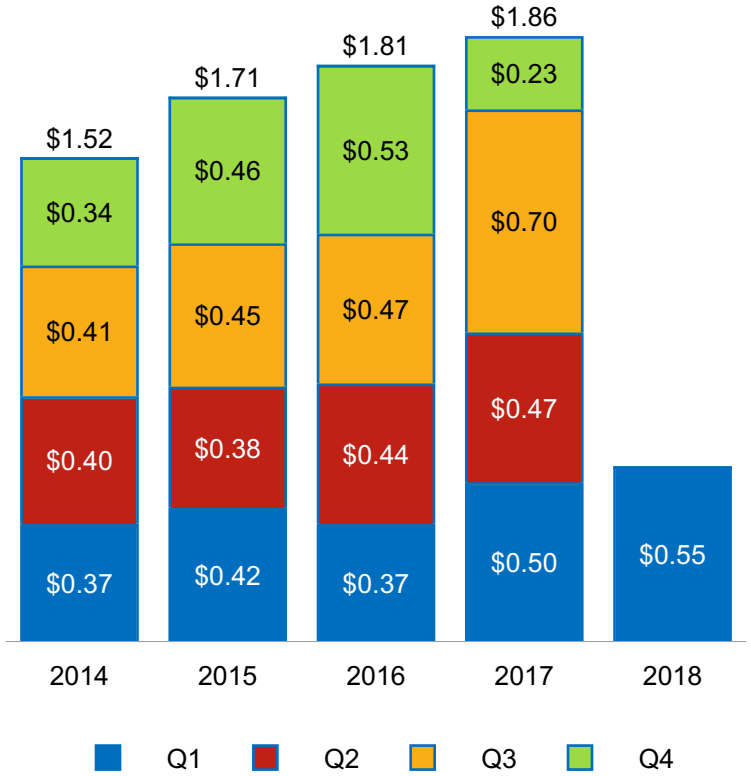
This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which can be identified by words such as “may,” “expected,” “anticipate”, “continue,” or other comparable words. In addition, all statements other than statements of historical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

Continuous Growth in Earnings

Net Income ($ Millions)



Earnings per Share



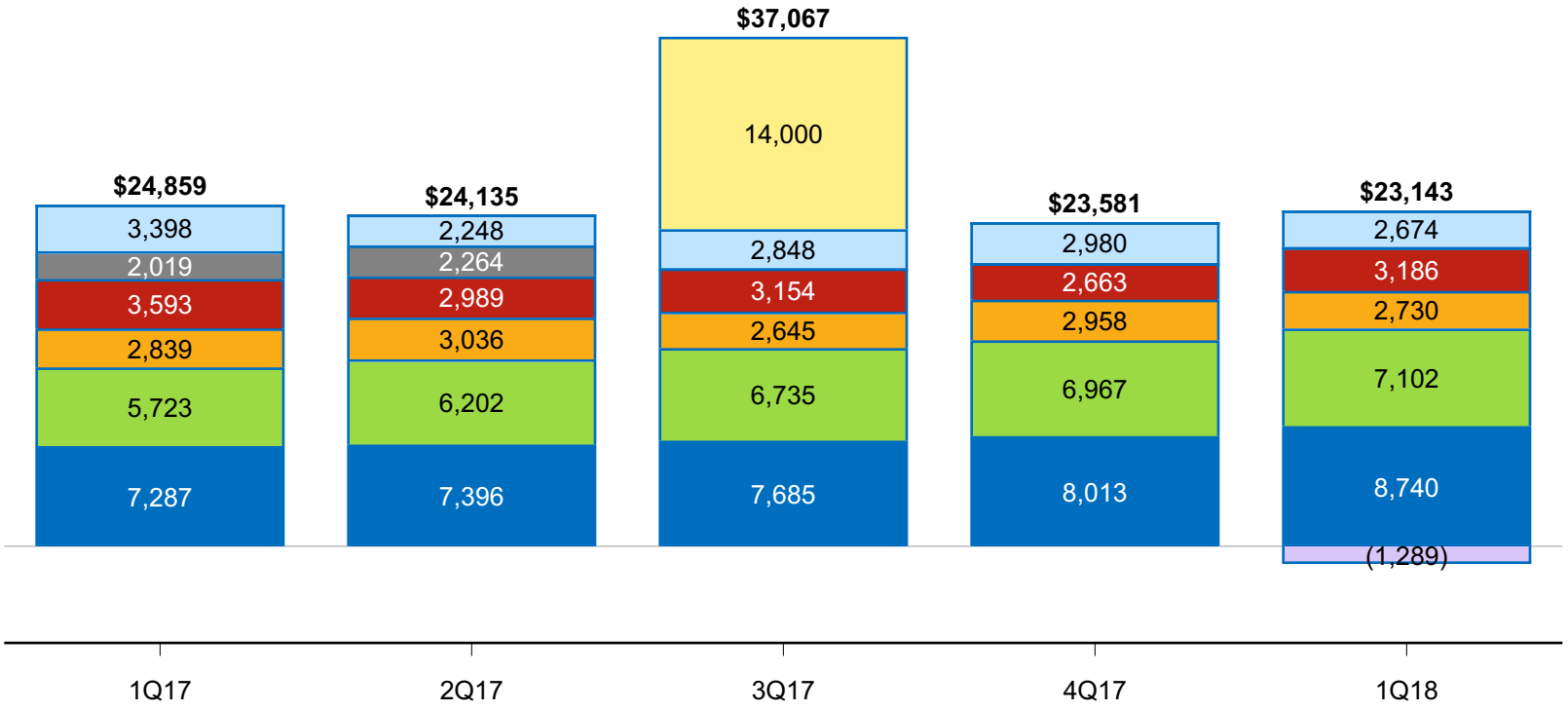
Due to averaging of shares, 2017 quarterly earnings per share does not add up to the total reported for the full year.

Summary Income Statement

$ in Thousands (except EPS)	1Q18	4Q17 [2]	3Q17	2Q17	1Q17
Net Interest Income	$ 115,481	$ 106,224	$ 88,929	$ 86,161	$ 86,675
Provision for Loan Losses	5,852	3,327	(648)	3,177	2,775
Net Int Inc after Provision	**109,629**	**102,897**	**89,577**	**82,984**	**83,900**
Noninterest Income	23,143	23,581	37,067	24,135	24,859
Noninterest Expense	85,987	85,627	67,537	68,867	68,986
Pre-tax Net Income	**46,785**	**40,851**	**59,107**	**38,252**	**39,773**
Provision for Income Taxes	6,815	25,123	18,338	11,120	10,574
Net Income	**$ 39,970**	**$ 15,728**	**$ 40,769**	**$ 27,132**	**$ 29,199**
EPS (Diluted)	$ 0.55	$ 0.23	$ 0.70	$ 0.47	$ 0.50
Acquisition Related Costs[1]	*$ 4,265*	*$ 13,638*	*$ 1,171*	*$ 1,023*	*$ 1,364*

[1] Acquisition Related Costs are included in Noninterest Expense, above.
[2] PCB acquisition closed November 1, 2017; therefore, 4Q17 contains only two months of combined activity.

Non-Interest Income

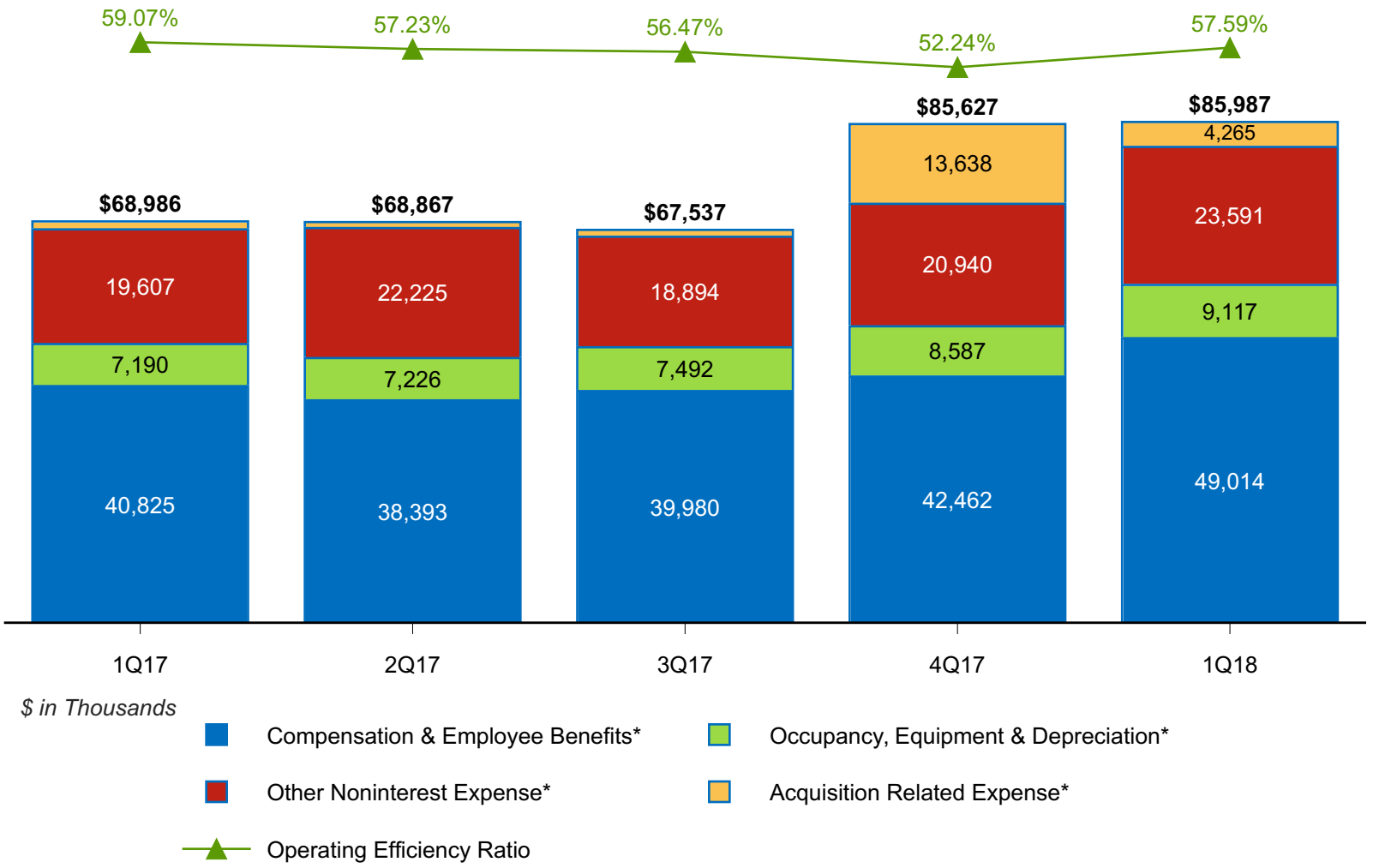


$ in Thousands

- Deposit Account & Treasury Management Fees
- Network Fees netted from Card Revenue*
- Card Revenue gross of Network Fees*
- Financial Services & Trust Revenue
- Loan Revenue
- Merchant Processing Revenue
- Other Noninterest Income
- Gain on Sale of Merchant Card Services Portfolio

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

Non-Interest Expense and Operating Efficiency Ratio**



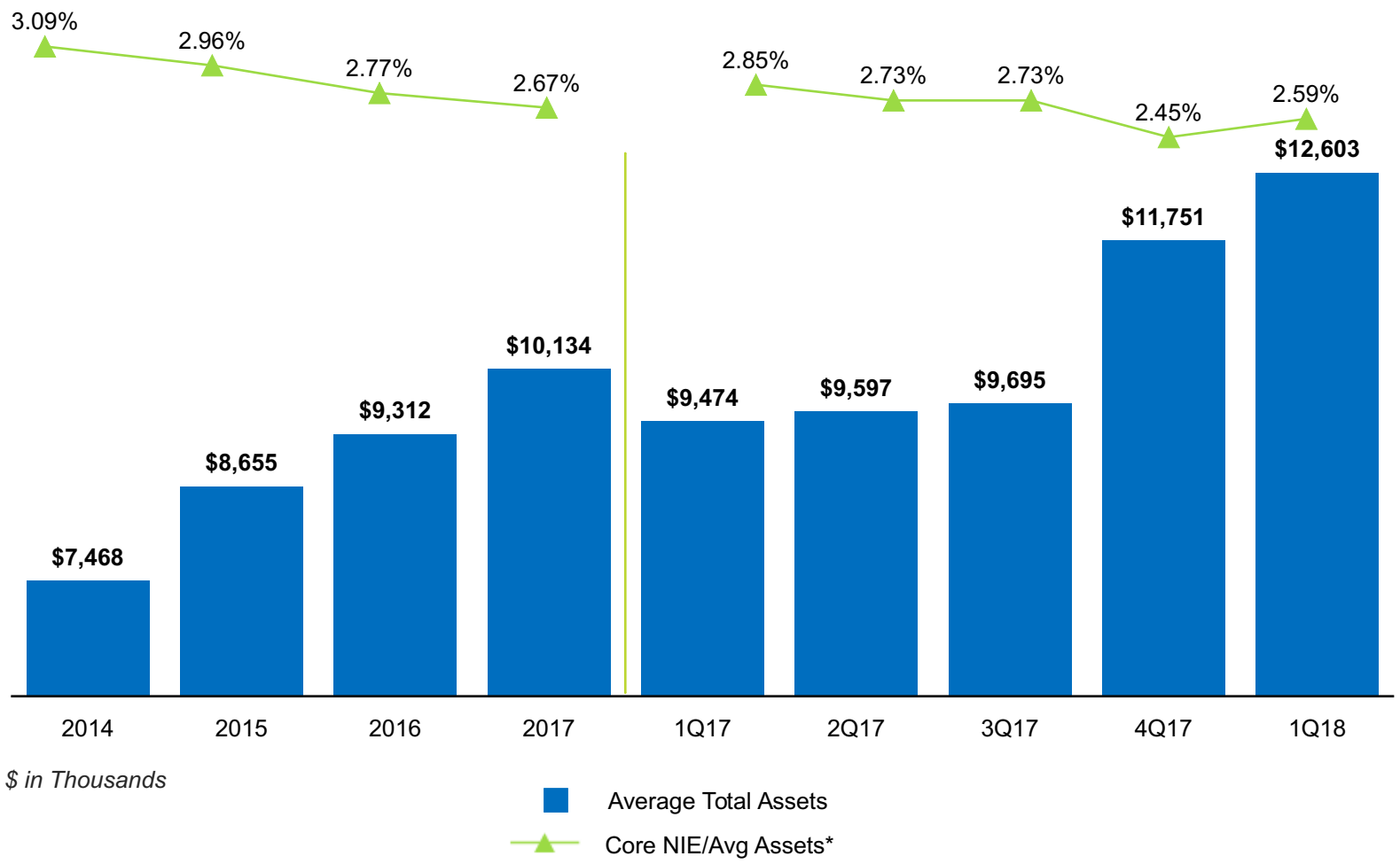
*Acquisition Related Expense is excluded from individual expense groups and shown in aggregate. Individual expense groups excluding acquisition expenses are non-GAAP measures. Refer to end of presentation for more information.

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

Acquisition Related Expense

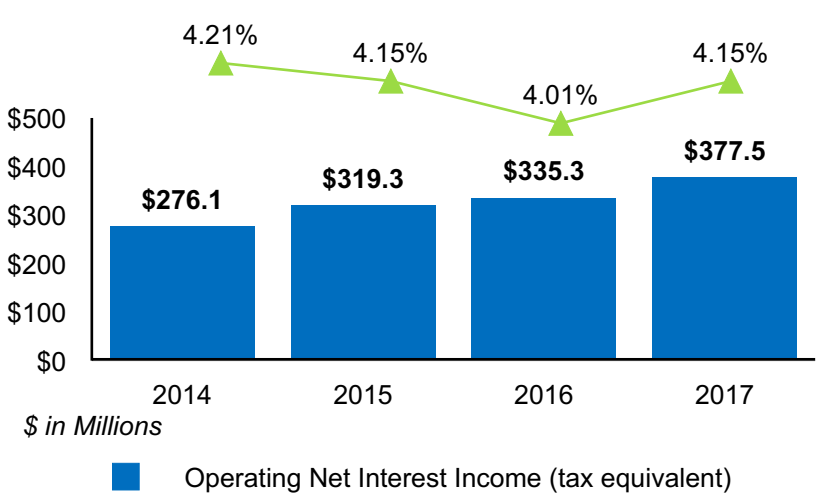
$ in Thousands	1Q18	4Q17	3Q17	2Q17	1Q17
Compensation and employee benefits	$ 1,556	$ 8,011	$ 3	$ —	$ —
Occupancy	1,004	967	593	351	1
Advertising and promotion	512	266	184	11	6
Data processing	287	1,016	66	473	—
Legal and professional fees	574	3,031	157	119	1,311
Other	332	347	168	69	46
Total Acquisition Related Expense	**$ 4,265**	**$ 13,638**	**$ 1,171**	**$ 1,023**	**$ 1,364**

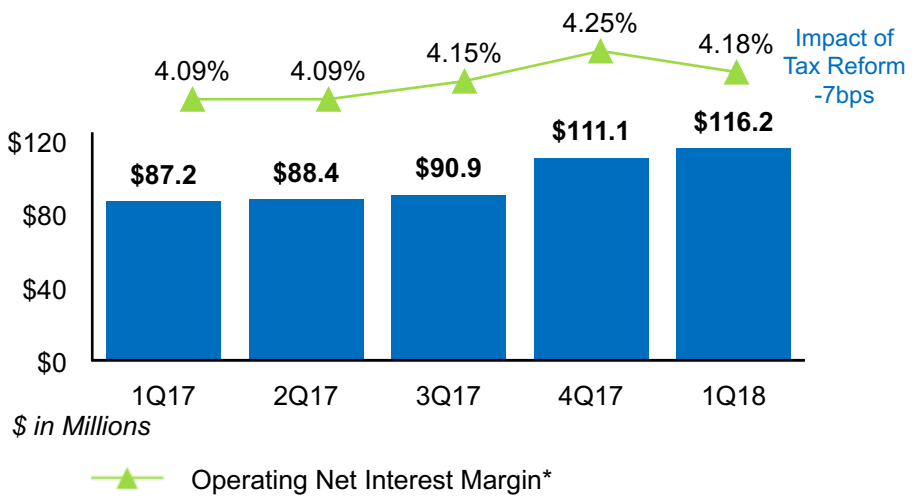
Favorable Trend in Expense Management

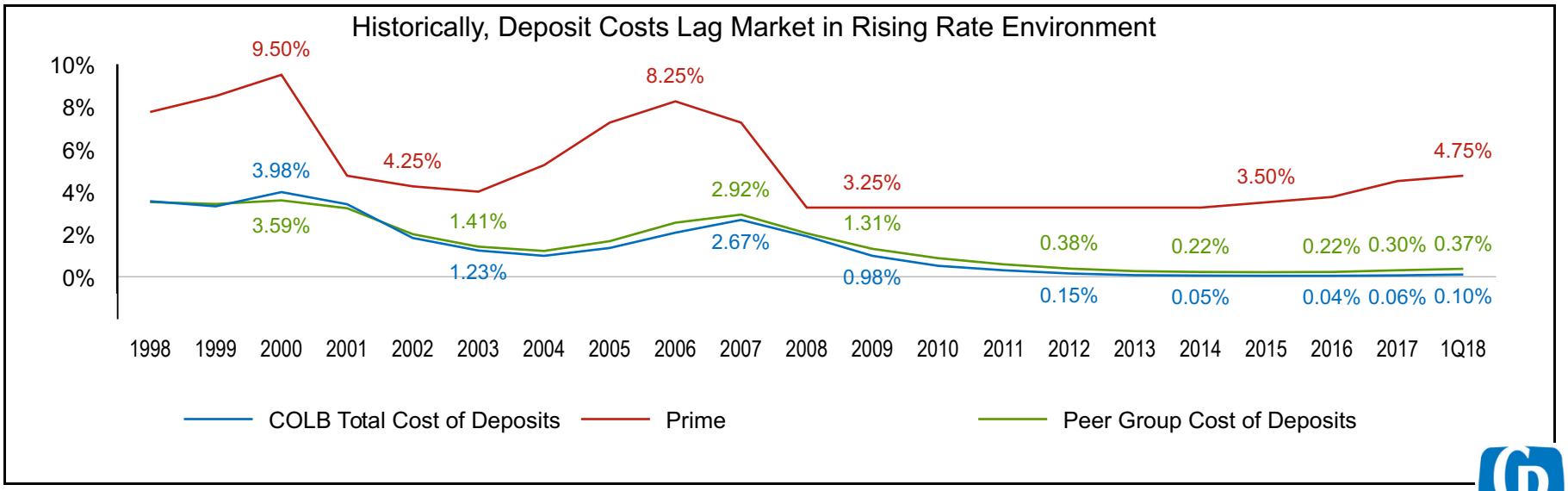


*Core NIE/Average Total Assets is a non-GAAP measure. Refer to end of presentation for more information.

Expanding Operating Net Interest Margin *







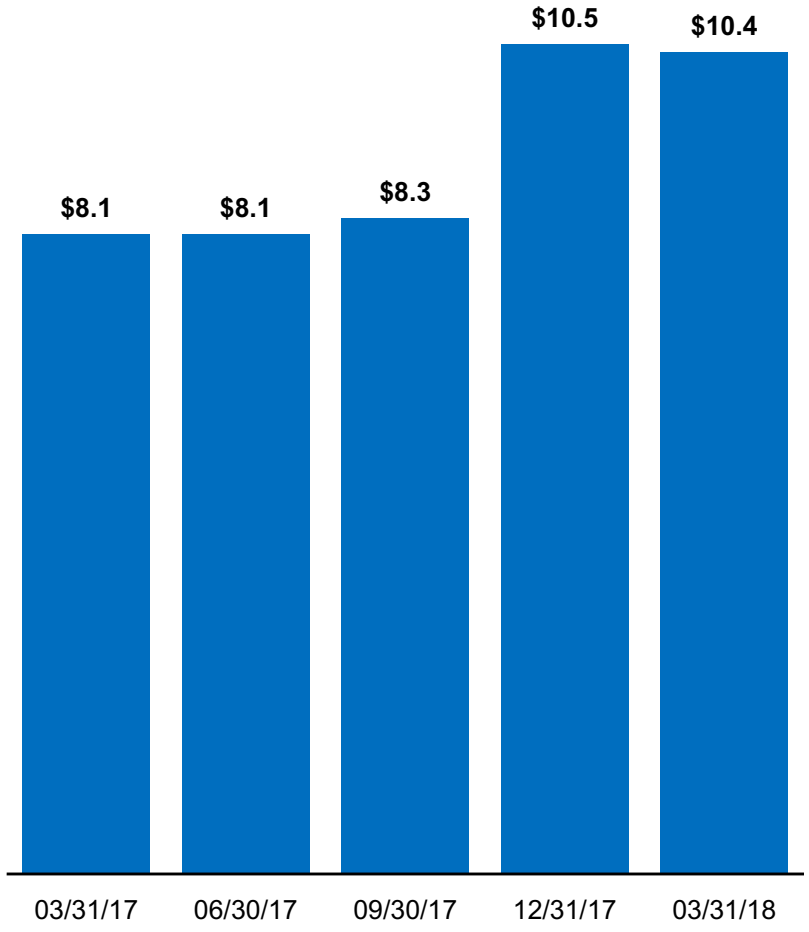
*Operating net interest margin is a non-GAAP financial measure. Refer to end of presentation for additional information.

Selected Balance Sheet & Ratios

$ in Millions	1Q18	4Q17	3Q17	2Q17	1Q17
Total Assets	$ 12,531	$ 12,717	$ 9,815	$ 9,685	$ 9,527
Securities, Including Equity Securities & FHLB Stock	2,641	2,753	2,218	2,281	2,342
Loans, Net of unearned Income	8,340	8,359	6,512	6,423	6,228
Allowance for Loan & Leases Losses	80	76	72	73	71
Goodwill & Other Intangibles	821	824	397	398	399
Core Deposits	9,897	10,040	7,999	7,722	7,795
Deposits	10,396	10,532	8,342	8,072	8,089
Total Shareholders' Equity	1,948	1,950	1,328	1,297	1,275
Ratios:					
ROAA	1.27%	0.54%	1.68%	1.13%	1.23%
ROAE	8.20%	3.59%	12.32%	8.38%	9.26%
ROATCE*	15.08%	6.37%	17.93%	12.46%	13.96%
Loans/Deposits	80%	79%	78%	80%	77%
Core Deposit Ratio	95%	95%	96%	96%	96%
Tangible Common Equity*	9.63%	9.47%	9.89%	9.69%	9.60%

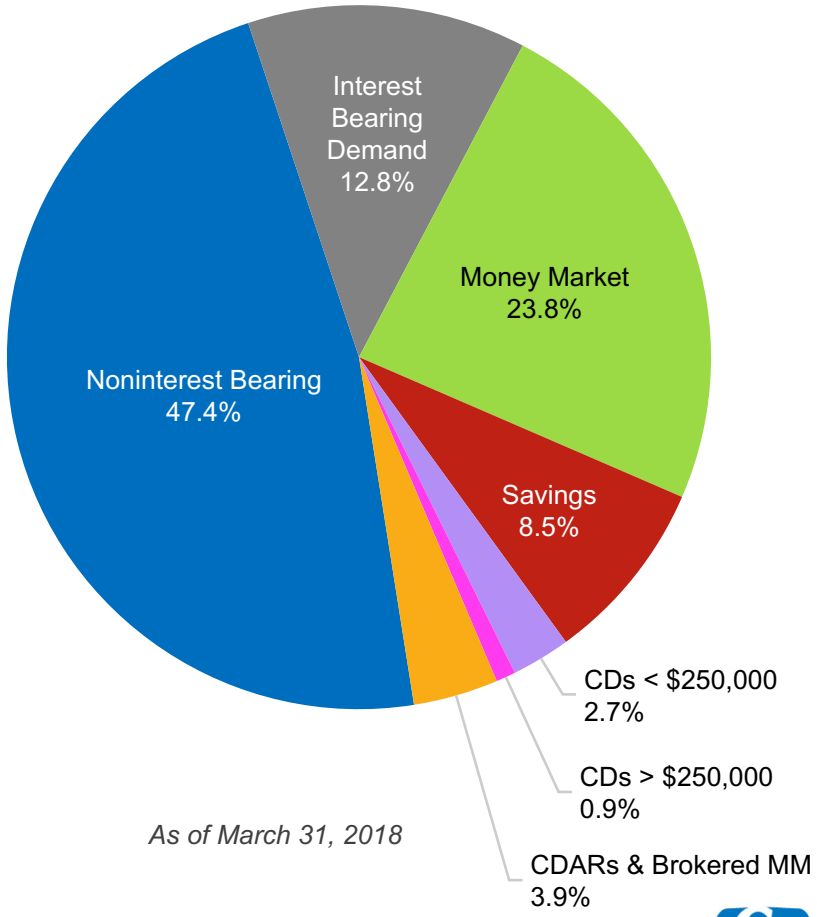
*ROATCE and Tangible Common Equity ratios are non-GAAP measures. Refer to end of presentation for additional information.

Diversified, Relationship Centered Deposit Base



$ in Billions

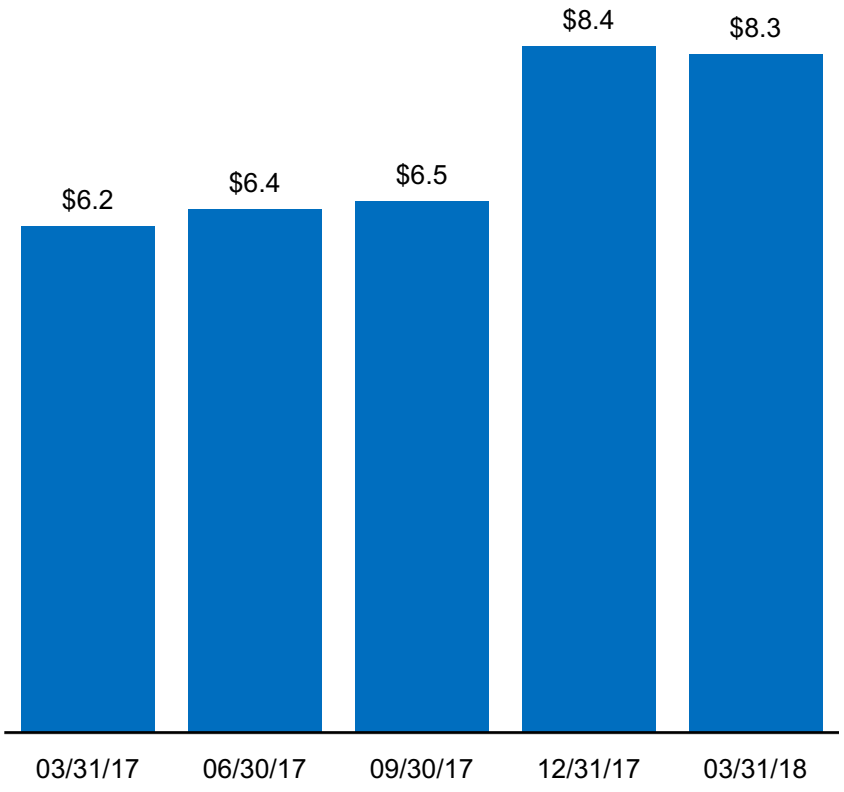
57% Business & 43% Consumer
Core deposit ratio = 95%



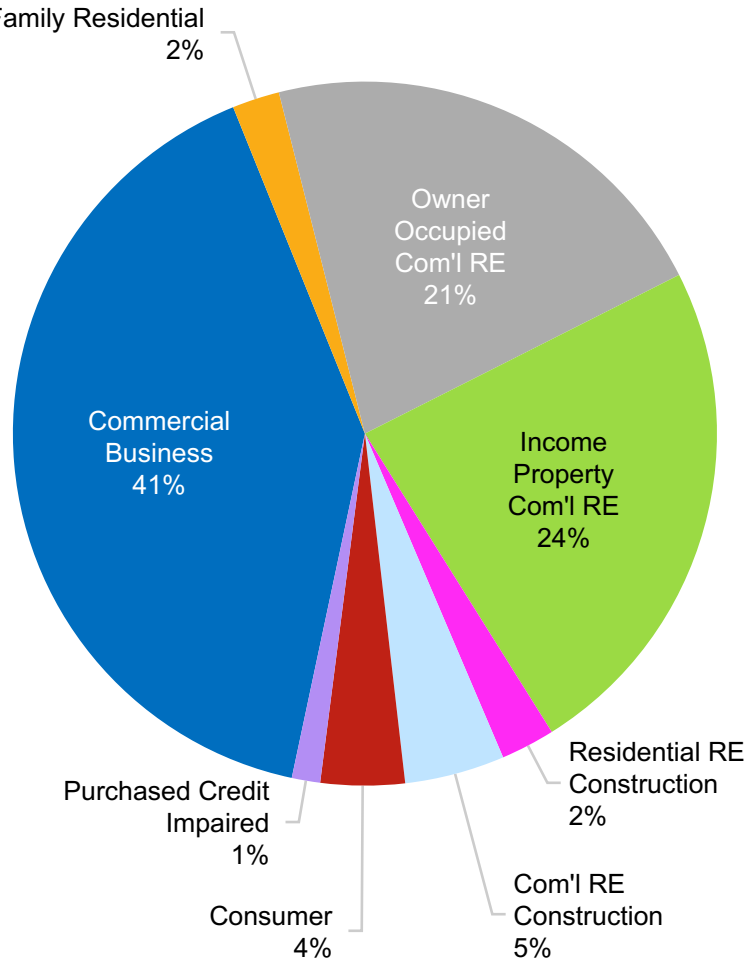
As of March 31, 2018

Total Loans, Net of Unearned Income

Organic growth over the past 12 months = 4%



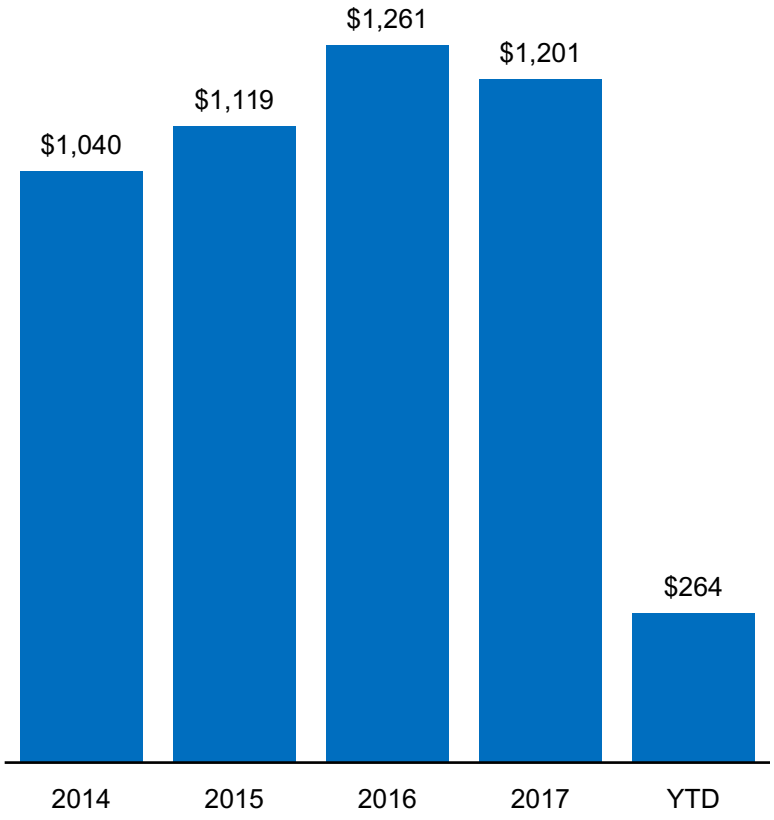
$ in Billions



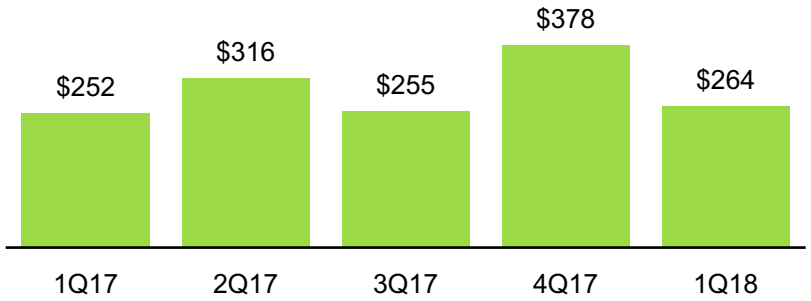
As of March 31, 2018

Loan Production

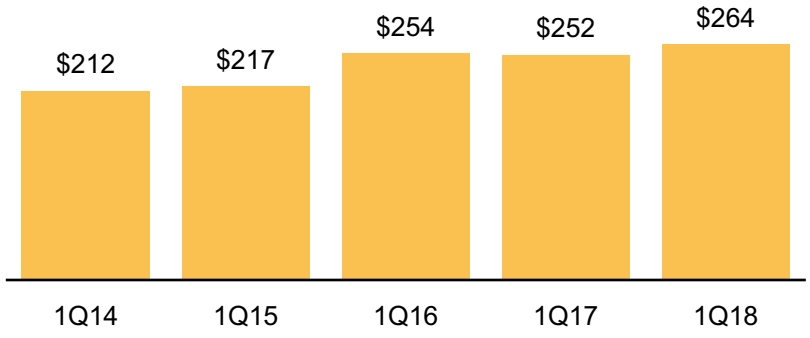
Annual Loan Originations



Rolling 5 Quarter Loan Originations

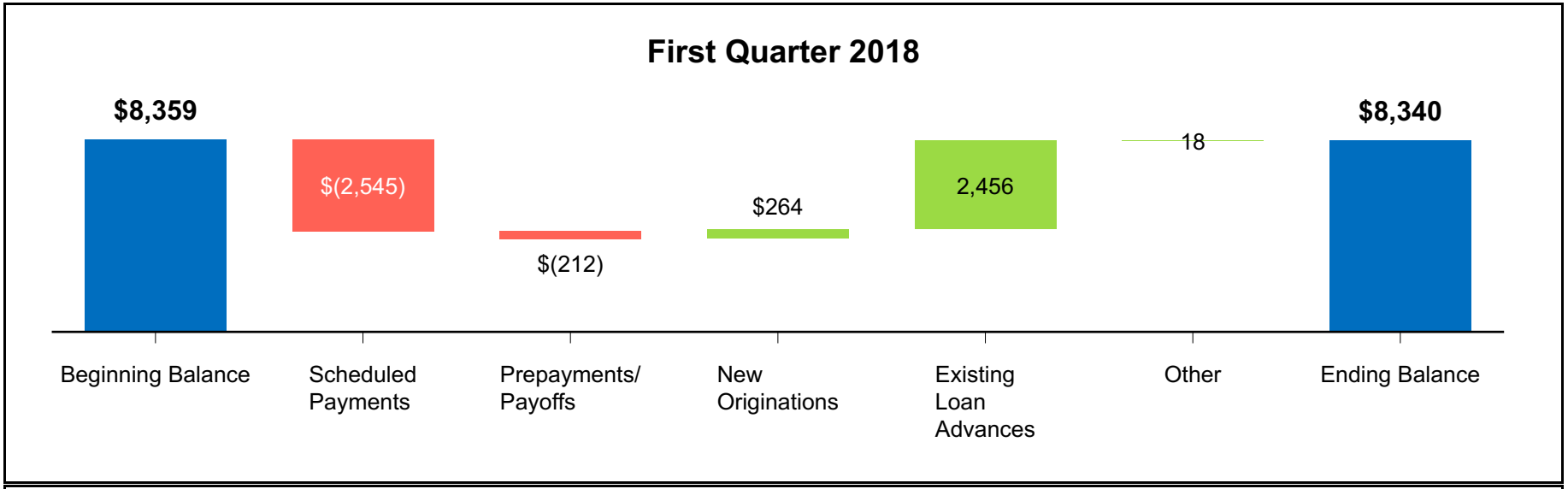


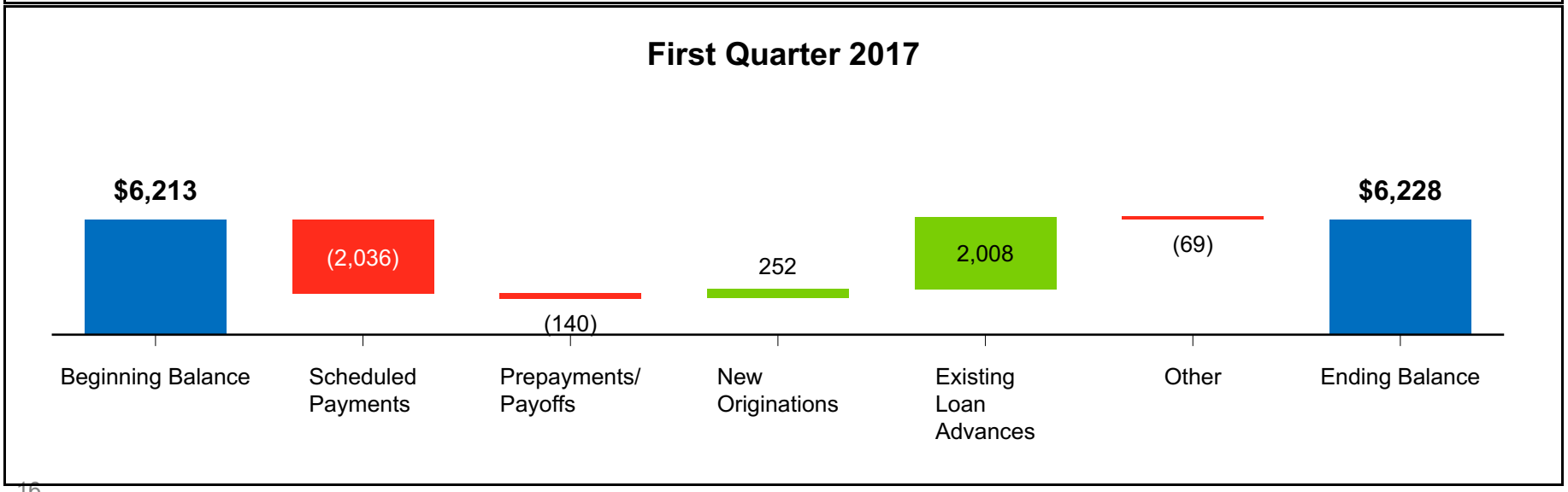
1st Quarter Loan Originations



$ in Millions

Components of First Quarter Change in Loans

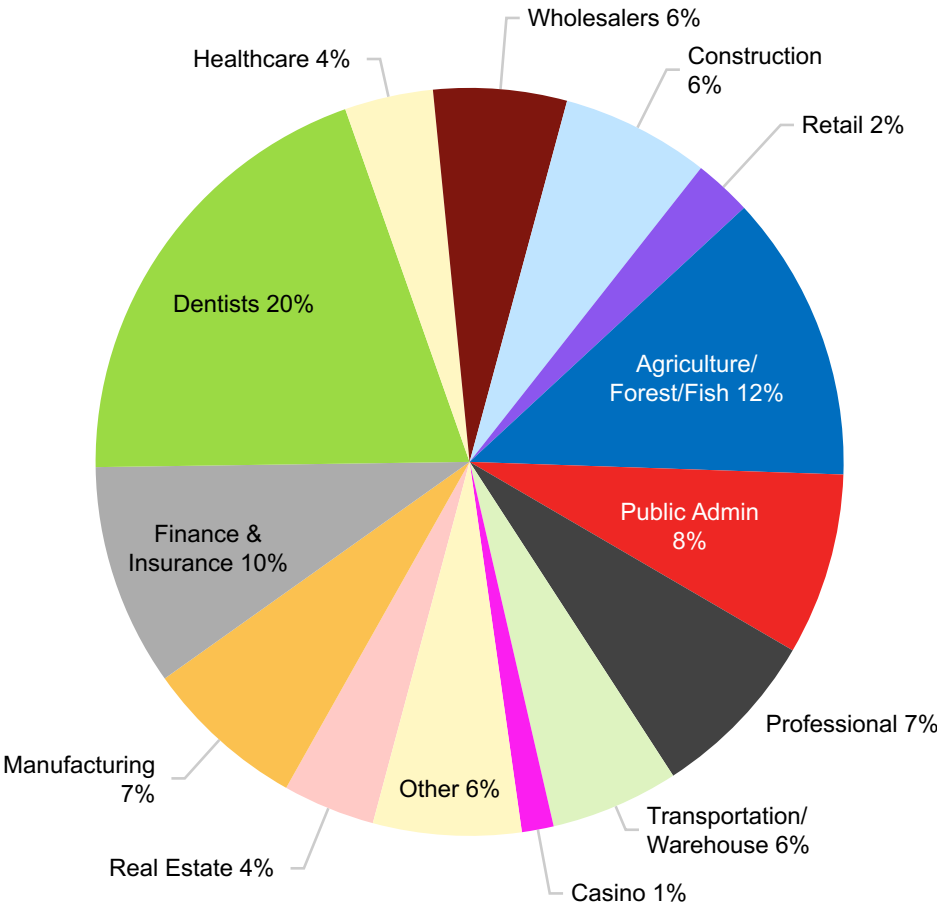




$ in Millions

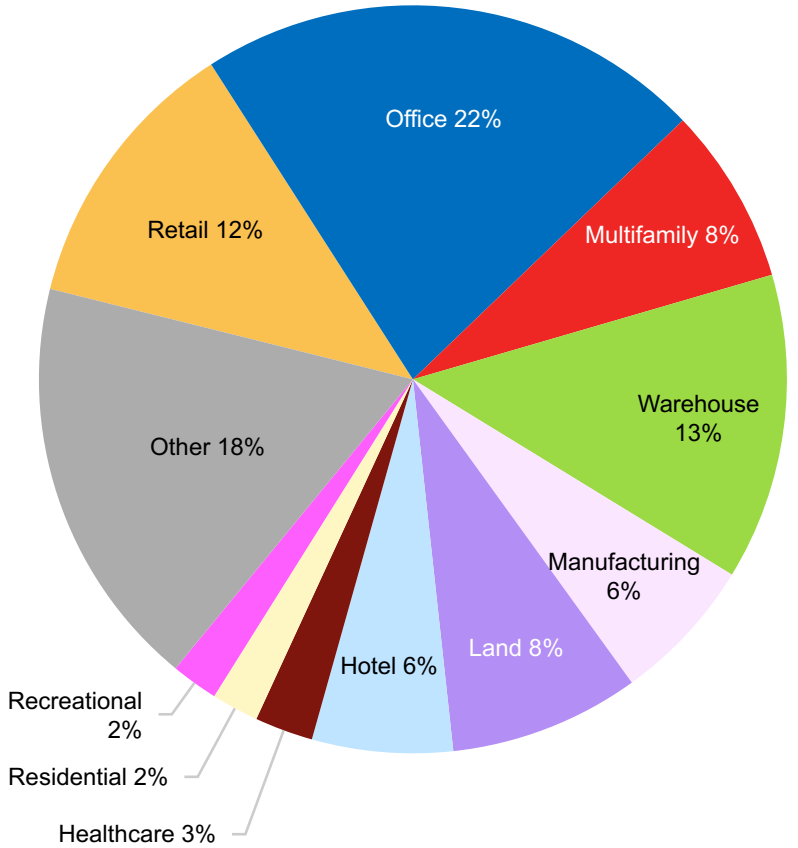
Well Diversified C&I and CRE Loan Portfolios

C&I Portfolio $3.4 Billion



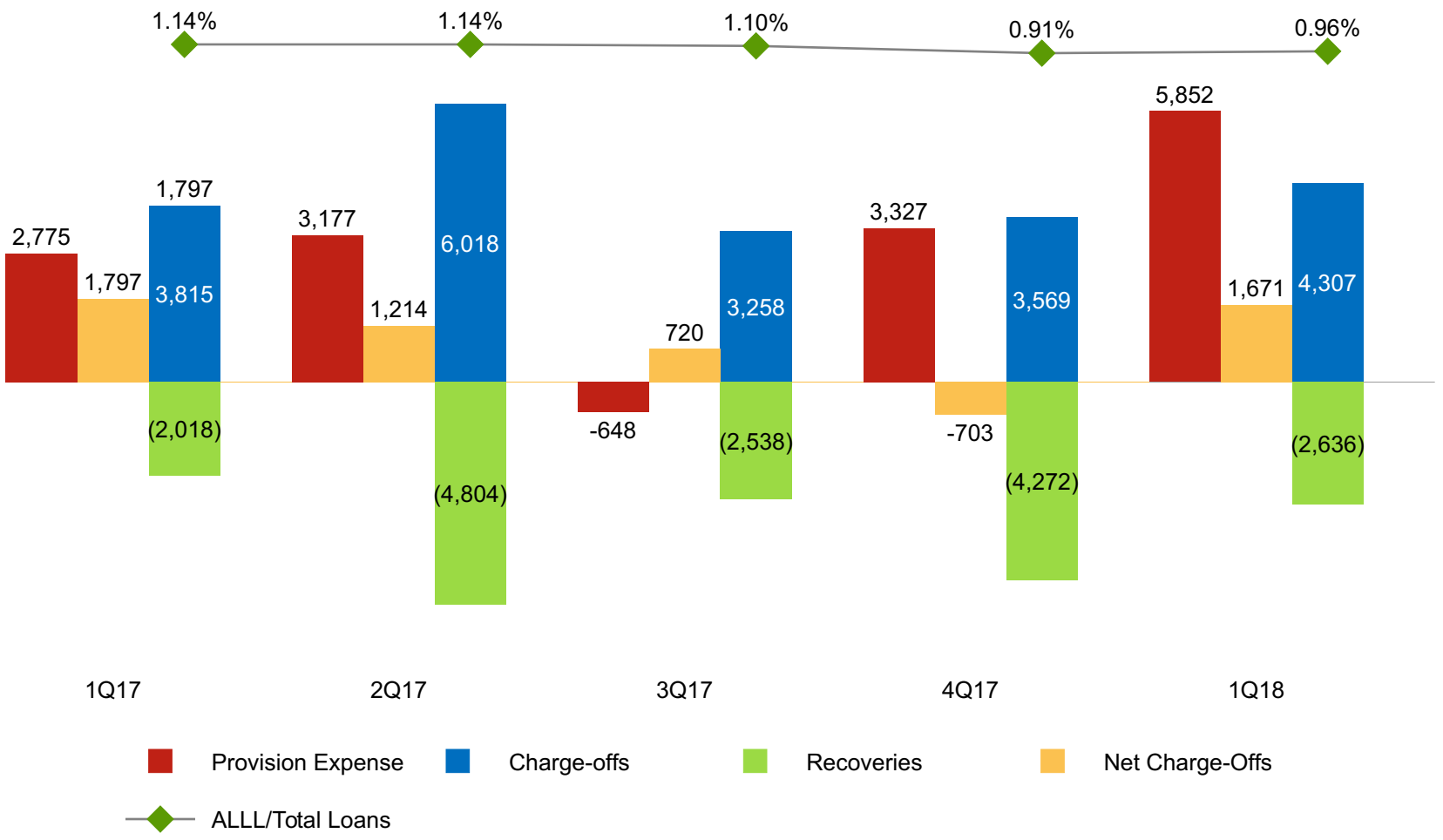
CRE Portfolio $3.8 Billion

Balanced with 52% Income Property and 48% Owner-occupied



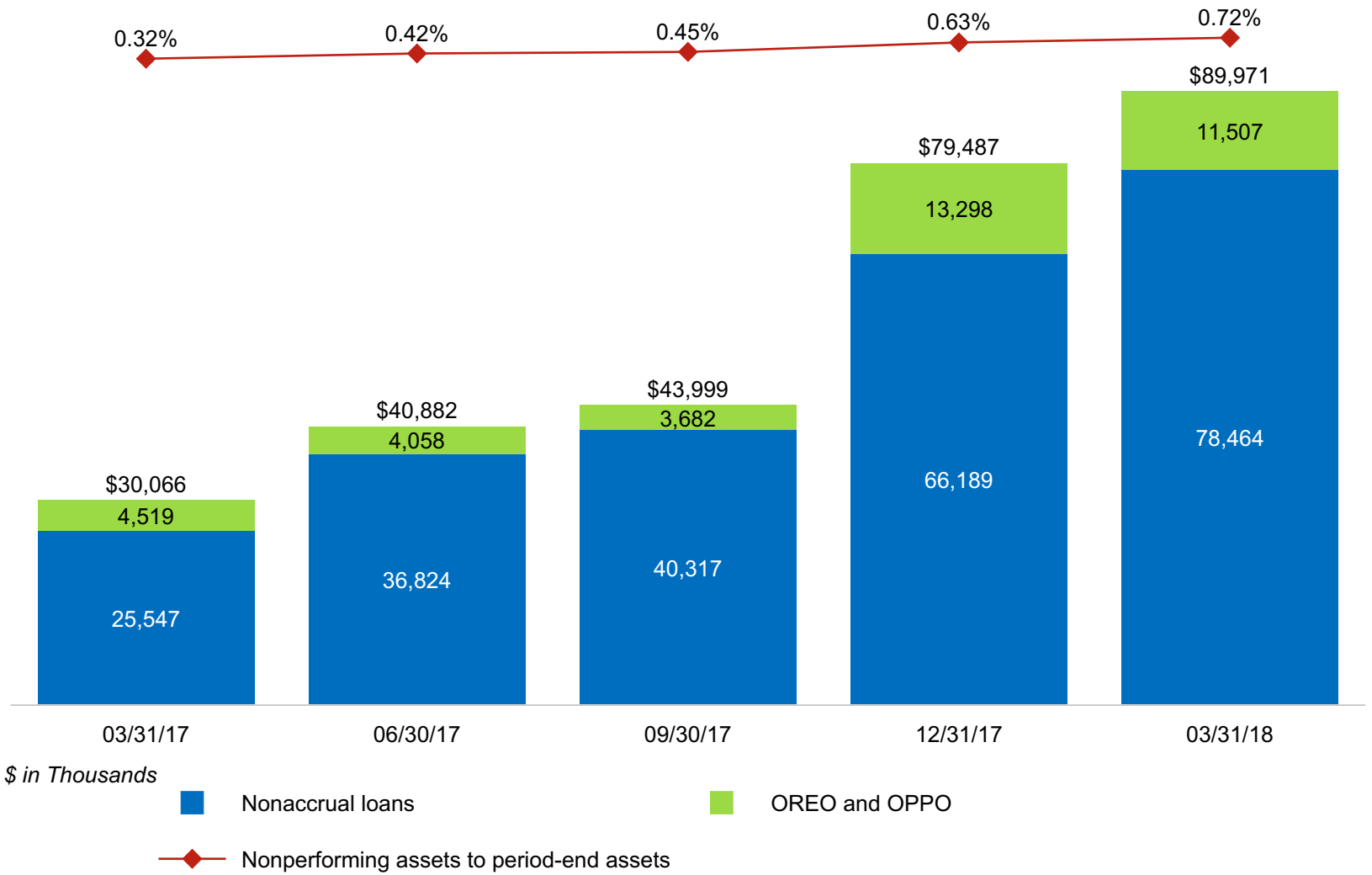
As of March 31, 2018
$ in Millions

ALLL Components

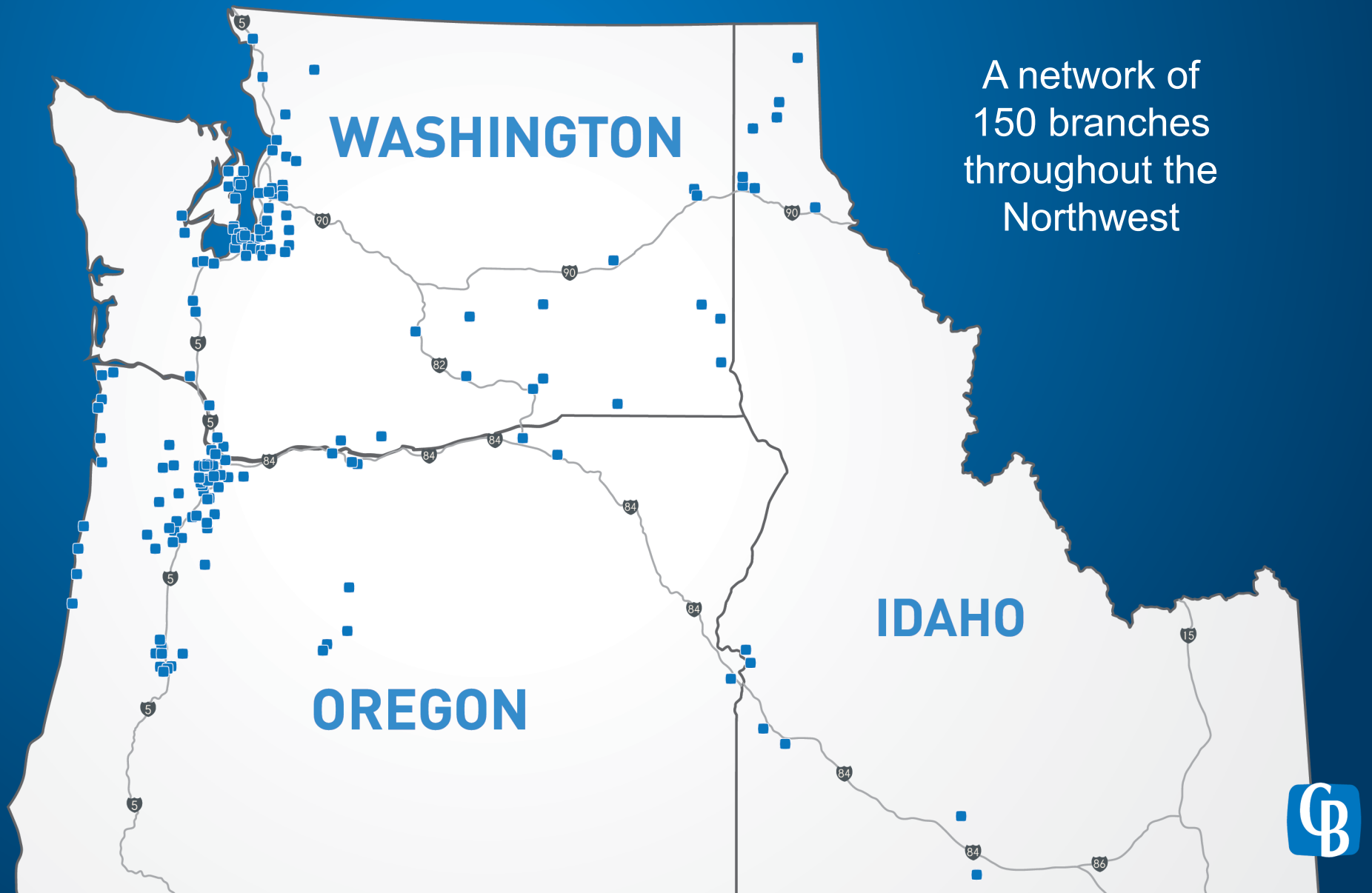


$ in Thousands

Nonperforming Assets



Pacific Northwest Economy is Growing Fast



A network of 150 branches throughout the Northwest

Attractive Northwest Markets

	✓ *Better Than or Equal to U.S. Average*	Seattle-Tacoma-Bellevue	Portland-Vancouver	Boise	Washington	Oregon	Idaho	United States
Demographics	Population Increase *(2010 – 2018)*	12.96%✓	11.34%✓	15.44%✓	10.73✓	8.95%✓	9.58%✓	5.76%
	Projected Population Change *(2018-2023)*	6.74✓	6.59%✓	7.31%✓	6.04%✓	5.84%✓	5.57%✓	3.50%
	Projected HH Income Change *(2018-2023)*	11.99%✓	13.76%✓	7.48%	9.79%✓	12.46%✓	7.86%	8.86%
Economics	Unemployment Rate [(1)] *(Mar 2018, State & MSA's Feb 2018)*	4.3%	4.0%✓	3.1%✓	4.7%	4.1%✓	3.0%✓	4.1%
	Home Price Index Change			n/a	n/a	n/a	n/a	
	12 months ending Feb 2018	12.7%✓	6.7%✓					6.3%
	24 months ending Feb 2018	26.4%✓	17.0%✓					12.3%
	Low in 1Q12 – Feb 2018	84.7%✓	74.5%✓					47.0%

[(1)] *MSA unemployment rates are not seasonally adjusted. State and US rates are seasonally adjusted.*
Sources: Bureau of Labor Statistics, S&P-Case Schiller, SNL FInancial

Columbia – An Award-Winning Company

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Forbes 2018 BEST BANKS IN AMERICA

PUGET SOUND BUSINESS JOURNAL

BEST

2017 WASHINGTON'S BEST WORKPLACES

BEST OF THE SOUTH SOUND 2017

PORTLAND BUSINESS JOURNAL

OREGON'S 2016 MOST ADMIRED COMPANIES

STATESMANJOURNAL.COM

2016 best of the MID-VALLEY

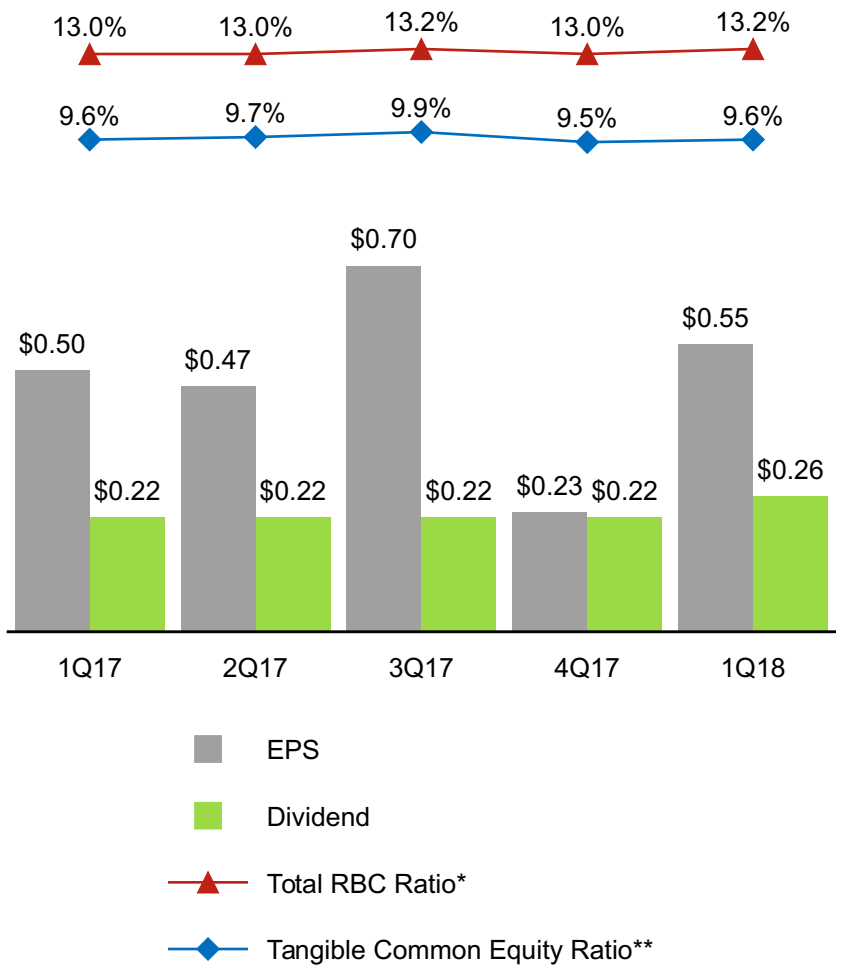
Silver Winner

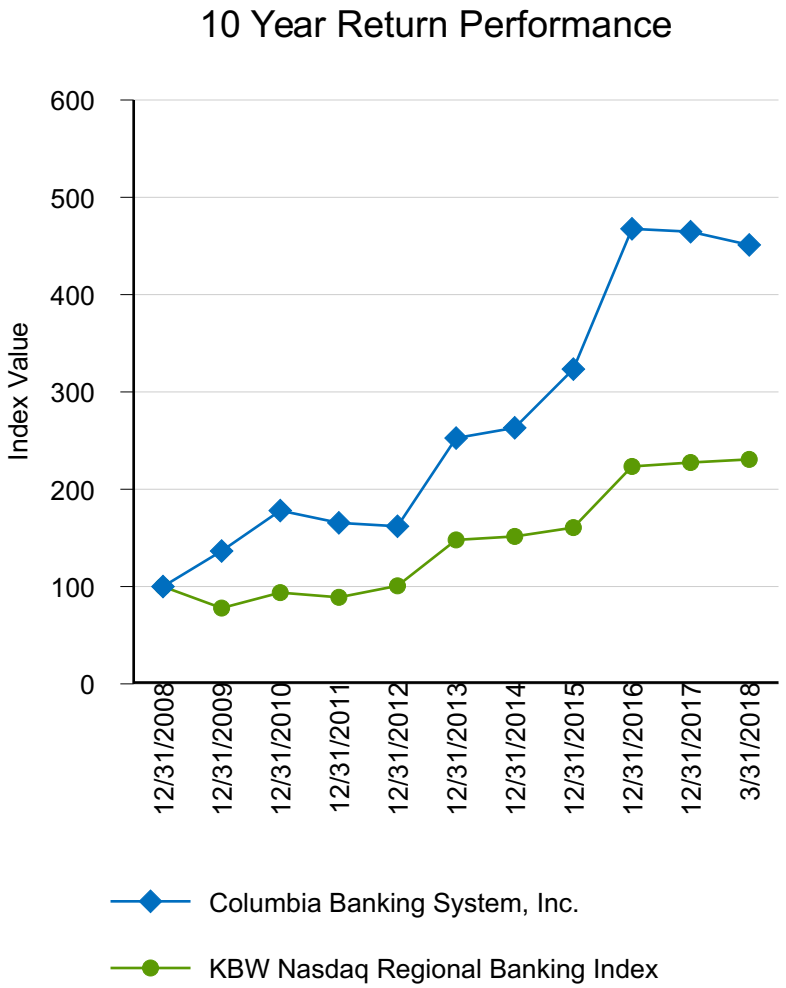
COMMUNITY IMPACT AWARDS 2016

PUGET SOUND BUSINESS JOURNAL | 2016 AWARDS

CORPORATE CITIZENSHIP

Strong Capital, Dividend Payouts & Total Return





*1Q18 Total RBC Ratio is preliminary.
**Tangible Common Equity Ratio is a non-GAAP measure.
Refer to end of presentation for additional information.

Non-GAAP Financial Measures

Net Interest Margin *$ in Thousands*	2014	2015	2016	2017	1Q17	2Q17	3Q17	4Q17	1Q18
Net interest income (tax equivalent) (1)	$ 312,146	$ 334,548	$ 344,425	$ 380,107	$ 89,518	$ 89,075	$ 91,887	$ 109,627	$ 117,359
Adjustments to arrive at operating net interest income (tax equivalent):									
Incremental accretion income on FDIC purchased credit impaired loans	(20,224)	(9,096)	(5,972)	(4,107)	(2,117)	(753)	(972)	(265)	(329)
Incremental accretion income: Other FDIC acquired loans (2)	(484)	(234)	—	—	—	—	—	—	—
Incremental accretion income on other acquired loans	(21,093)	(17,862)	(11,983)	(8,689)	(1,948)	(2,356)	(1,903)	(2,482)	(3,370)
Premium amortization on acquired securities	7,123	10,217	7,738	6,636	1,462	1,669	1,527	1,978	2,075
Correction of immaterial error - securities premium amortization	(2,622)	—	—	1,771	—	—	—	1,771	—
Interest reversals on nonaccrual loans	1,291	1,713	1,072	1,766	265	747	311	443	417
Operating net interest income (tax equivalent) (1)	276,137	319,286	335,280	377,484	87,180	88,382	90,850	111,072	116,152
Average Earning Assets	6,561,047	7,685,734	8,363,309	9,098,276	8,520,291	8,651,735	8,750,561	10,453,097	11,122,753
Net Interest Margin *(tax equivalent)*	4.76%	4.35%	4.12%	4.18%	4.20%	4.12%	4.20%	4.20%	4.22%
Operating Net Interest Margin *(tax equivalent)*	4.21%	4.15%	4.01%	4.15%	4.09%	4.09%	4.15%	4.25%	4.18%

(1) Tax-exempt interest income has been adjusted to a tax equivalent basis.
(2) Effective 1/1/2016, incremental accretion income on other FDIC acquired loans is no longer considered significant and is no longer tracked for non-GAAP financial measures.

NIE/Average Assets *$ in Thousands*	2014	2015	2016	2017	1Q17	2Q17	3Q17	4Q17	1Q18
Reported Noninterest Expense	$239,286	$266,149	$261,142	$ 291,017	$ 68,986	$ 68,867	$ 67,537	$ 85,627	$ 85,987
- FDIC Clawback (Expense)/Recap	(294)	(979)	(280)	54	54	—	—	—	—
- Acquisition Related	(9,432)	(10,917)	(2,727)	(17,196)	(1,364)	(1,023)	(1,171)	(13,638)	(4,265)
- OREO/OPPO Expense, Net	1,182	1,724	(544)	(466)	(150)	1	(271)	(46)	4
- Term of FDIC Loss Sharing Agreement	—	—	—	(2,409)	—	(2,409)	—	—	—
Core Noninterest Expense	$230,742	$255,977	$257,591	$ 271,000	$ 67,526	$ 65,436	$ 66,095	$ 71,943	$ 81,726
Average Assets	7,468,091	8,655,243	9,311,621	10,134,306	9,473,698	9,597,274	9,695,005	11,751,049	12,603,144
Noninterest Expense/ Average Assets	3.20%	3.08%	2.80%	2.87%	2.91%	2.87%	2.79%	2.91%	2.73%
Core NIE/Average Assets	3.09%	2.96%	2.77%	2.67%	2.85%	2.73%	2.73%	2.45%	2.59%

Tangible Common Equity *$ in Thousands*	1Q17	2Q17	3Q17	4Q17	1Q18
Total Shareholders' Equity	1,275,343	1,297,314	1,328,428	1,949,922	1,947,923
- Preferred Equity	—	—	—	—	—
- Goodwill	(382,762)	(382,762)	(382,762)	(765,842)	(765,842)
- Other Intangible Assets, net	(16,282)	(15,033)	(13,845)	(58,173)	(54,985)
Tangible Common Equity	$ 876,299	$ 899,519	$ 931,821	$ 1,125,907	$ 1,127,096
Total Assets	$ 9,527,272	$ 9,685,110	$ 9,814,578	$12,716,886	$12,530,636
Goodwill	(382,762)	(382,762)	(382,762)	(765,842)	(765,842)
- Other Intangible Assets, net	(16,282)	(15,033)	(13,845)	(58,173)	(54,985)
Tangible Assets	$ 9,128,228	$ 9,287,315	$ 9,417,971	$11,892,871	$11,709,809
Tangible Common Equity Ratio	9.60%	9.69%	9.89%	9.47%	9.63%

ROATCE *$ in Thousands*	1Q17	2Q17	3Q17	4Q17	1Q18
Net Income	$ 29,199	$ 27,132	$ 40,769	$ 15,728	$ 39,970
- Preferred Dividends	—	—	—	—	—
Net Inc Applicable to Common Shareholders	29,199	27,132	40,769	15,728	39,970
+ Amortization of Intangibles	1,349	1,249	1,188	2,547	3,188
- Tax Effect on Intangible Amort	(472)	(437)	(416)	(891)	(669)
Adjusted Net Inc	30,076	27,944	41,541	17,384	42,489
Avg Shareholders' Equity	$1,261,652	$1,295,564	$1,323,794	$1,754,745	$1,949,275
- Avg Preferred Equity	(271)	—	—	—	—
- Average Intangibles	(399,672)	(398,385)	(397,160)	(662,814)	(822,376)
Adjusted Avg Common Shareholders' Equity	861,709	897,179	926,634	1,091,931	1,126,899
Return on Average Tangible Common Shareholders' Equity	13.96%	12.46%	17.93%	6.37%	15.08%

Non-GAAP Financial Measures

Operating Efficiency Ratio $ in Thousands	1Q17	2Q17	3Q17	4Q17	1Q18
Noninterest expense (numerator A)	$ 68,986	$ 68,867	$ 67,537	$ 85,627	$ 85,987
Adjustments to arrive at operating noninterest expense:					
Acquisition-related expenses	(1,364)	(1,023)	(1,171)	(13,638)	(4,265)
Net benefit (cost) of operation of OREO and OPPO	(150)	1	(271)	(46)	4
FDIC clawback liability recovery	54	—	—	—	—
Loss on asset disposals	(6)	(8)	—	(56)	—
Termination of FDIC loss share agreements charge	—	(2,409)	—	—	—
State of Washington Business and Occupation ("B&O") taxes	(1,123)	(642)	(1,394)	(1,167)	(1,317)
Operating noninterest expense (numerator B)	$ 66,397	$ 64,786	$ 64,701	$ 70,720	$ 80,409
Net interest income (tax equivalent) (1)	$ 89,518	$ 89,075	$ 91,887	$ 109,627	$ 117,359
Noninterest income	24,859	24,135	37,067	23,581	23,143
Bank owned life insurance tax equivalent adjustment	689	772	695	741	379
Total revenue (tax equivalent) (denominator A)	115,066	113,982	129,649	133,949	140,881
Operating net interest income (tax equivalent) (1)	87,180	88,382	90,850	111,072	116,152
Adjustments to arrive at operating noninterest income (tax equivalent):					
Investment securities gains (loss), net	$ —	$ —	$ —	$ 11	$ (22)
Gain on asset disposals	(29)	(256)	(38)	(34)	(35)
Mortgage loan repurchase liability adjustment	(573)	—	—	—	—
Change in FDIC loss-sharing asset	274	173	—	—	—
Gain on sale of merchant card services portfolio	—	—	(14,000)	—	—
Operating noninterest income (tax equivalent)	25,220	24,824	23,724	24,299	23,465
Total operating revenue (tax equivalent) (denominator B)	$ 112,400	$ 113,206	$ 114,574	$ 135,371	$ 139,617
Efficiency ratio (tax equivalent) (numerator A/denominator A)	59.95%	60.42%	52.09%	63.93%	61.04%
Operating efficiency ratio (tax equivalent) (numerator B/denominator B)	59.07%	57.23%	56.47%	52.24%	57.59%

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

Non-interest Expense net of Acquisition Related Expense $ in Thousands	1Q17	2Q17	3Q17	4Q17	1Q18
Compensation & Employee Benefits	$ 40,825	$ 38,393	$ 39,983	$ 50,473	$ 50,570
less: Related Acquisition Expense	—	—	(3)	(8,011)	(1,556)
Compensation & Employee Benefits net of ARC's	$ 40,825	$ 38,393	$ 39,980	$ 42,462	$ 49,014
Occupancy, Equipment & Depreciation	$ 7,191	$ 7,577	$ 8,085	$ 9,554	$ 10,121
less: Related Acquisition Expense	(1)	(351)	(593)	(967)	(1,004)
Occupancy, Equipment & Depreciation net of ARC's	$ 7,190	$ 7,226	$ 7,492	$ 8,587	$ 9,117
Total Noninterest Expense	$ 68,986	$ 68,867	$ 67,537	$ 85,627	$ 85,987
-Compensation and employee benefits	(40,825)	(38,393)	(39,983)	(50,473)	(50,570)
-Occupancy, Equipment & Depreciation	(7,191)	(7,577)	(8,085)	(9,554)	(10,121)
Other Noninterest Expense	20,970	22,897	19,469	25,600	25,296
less: Related Acquisition Expense	(1,363)	(672)	(575)	(4,660)	(1,705)
Other Noninterest Expense net of ARC's	$ 19,607	$ 22,225	$ 18,894	$ 20,940	$ 23,591
Total Acquisition Related Expense	$ 1,364	$ 1,023	$ 1,171	$ 13,638	$ 4,265