COLUMBIA BANK

BUILDING A

PREMIER

REGIONAL

COMMUNITY BANK

NASDAQ:COLB

Columbia Banking System Inc.

Q3 2018

Third Quarter 2018 Highlights

- Record quarterly net income of $46.4 million; diluted earnings per share of $0.63 which included $0.02 per share negative impact from acquisition-related expenses
- All time record quarterly loan production of $408.9 million
- Quarterly net interest margin of 4.41%, net of -7 basis points due to tax reform, but an increase of 12 basis points on a linked quarter basis and an increase of 21 basis points from the prior year period
- Nonperforming assets to period end assets ratio decreased to 0.52%
- Return on Average Tangible Equity[(1)] for the quarter of 16.74%
- Named #9 on "Oregon's 2018 Top Workplaces" by the Oregonian
- Special cash dividend of $0.14 in addition to regular quarterly dividend of $0.26

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

On the Call ...

Hadley S. Robbins
President & Chief Executive Officer

Andy McDonald
Chief Credit Officer

Gregory A. Sigrist
Chief Financial Officer

Clint E. Stein
Chief Operating Officer

Columbia Bank Center
1301 A Street, Suite 900
P.O. Box 2156
Tacoma, WA 98401-2156

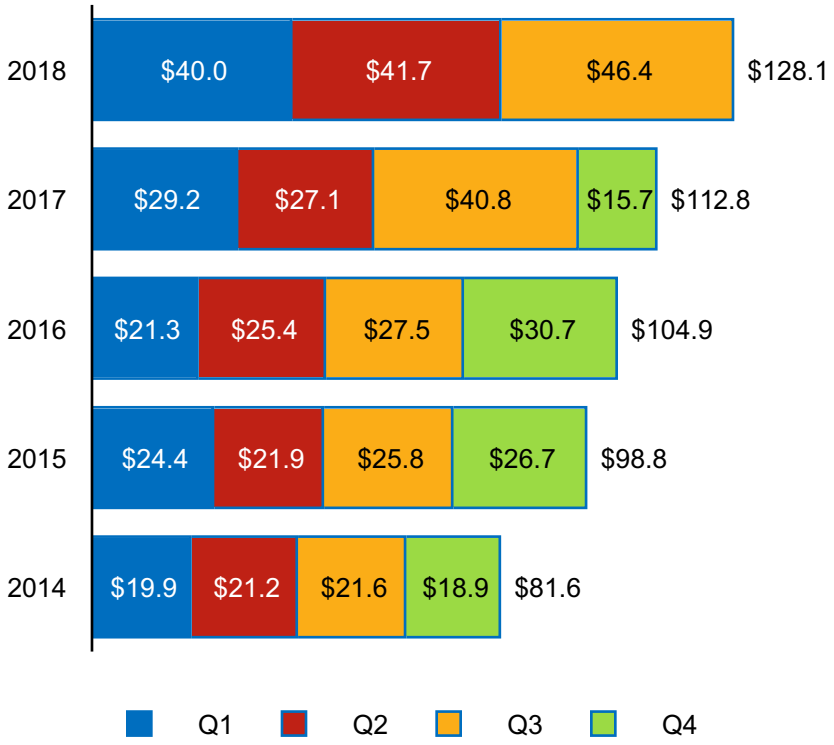
Investor Relations:
253-305-1921

Forward Looking Statements

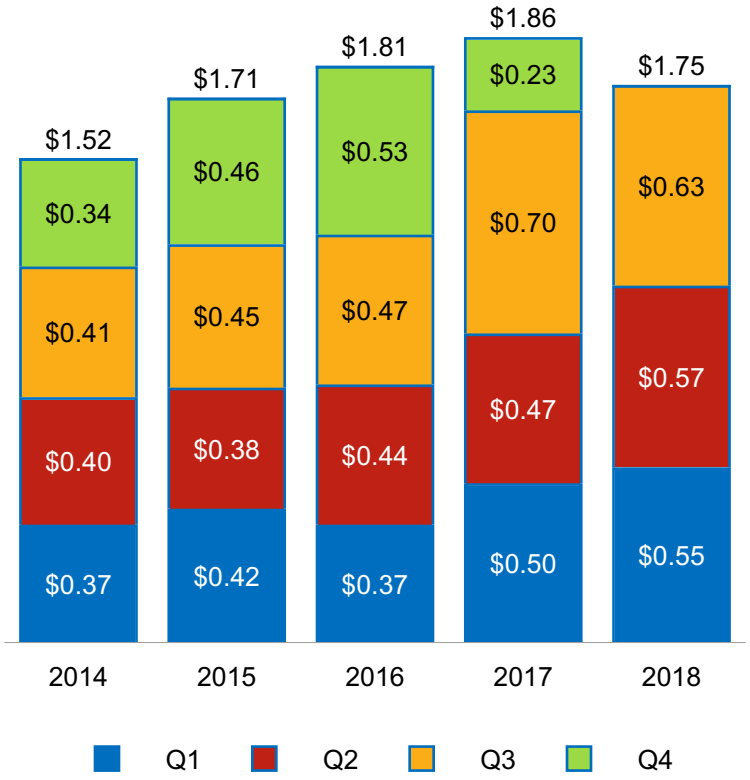
This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which can be identified by words such as “may,” “expected,” “anticipate”, “continue,” or other comparable words. In addition, all statements other than statements of historical 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 (Diluted)



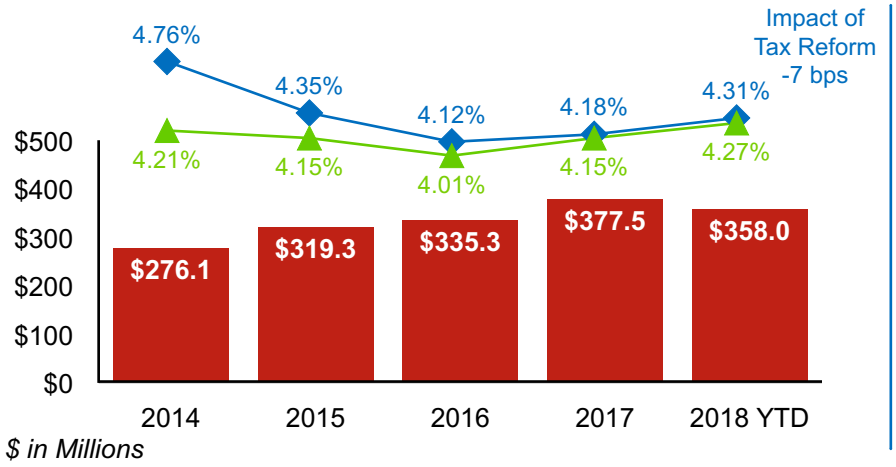
Due to averaging of shares, 2017 quarterly earnings per share does not add up to the total reported for the full year.

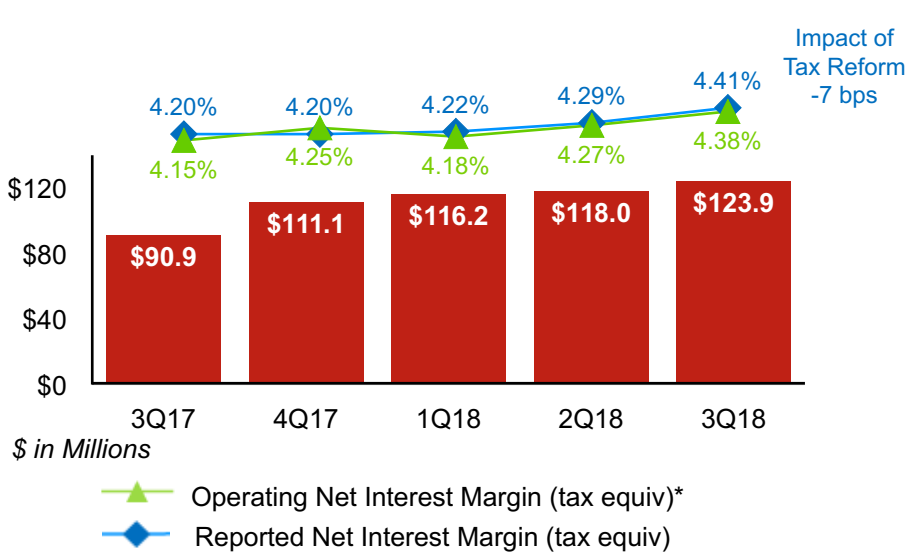
Summary Income Statement

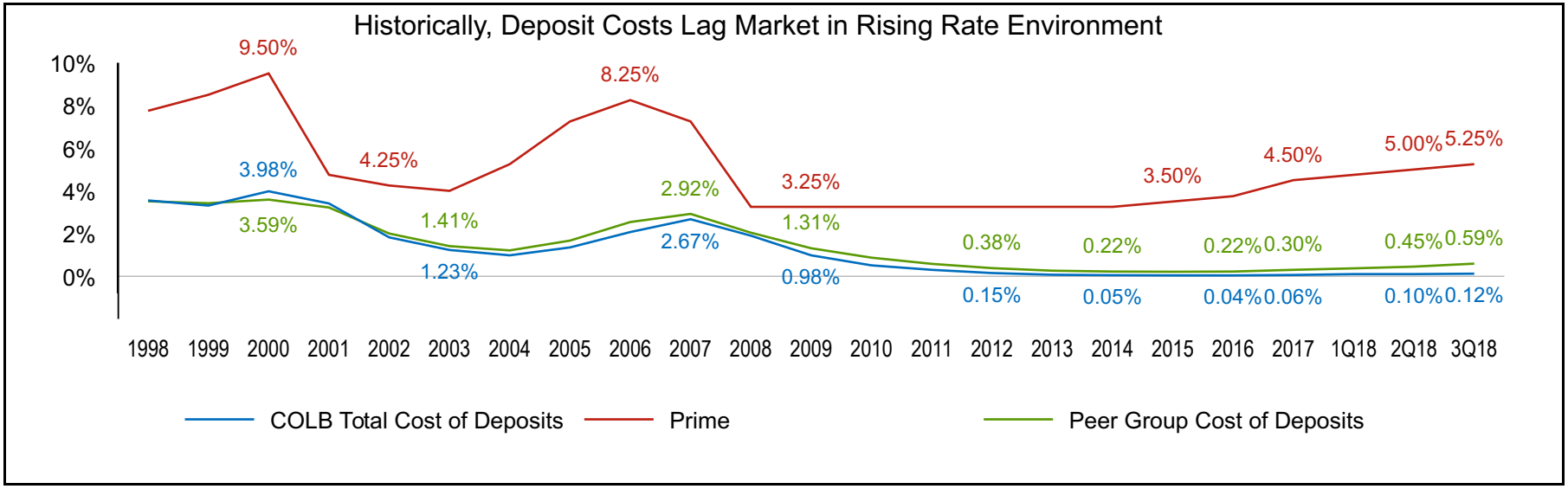
$ in Thousands (except EPS)	3Q18	2Q18	1Q18	4Q17	3Q17	Year-to-Date 2018	Year-to-Date 2017
Net Interest Income	$122,796	$116,674	$115,481	$106,224	$88,929	$354,951	$261,765
Provision for Loan Losses	3,153	3,975	5,852	3,327	(648)	12,980	5,304
Net Interest Income after Provision	**119,643**	**112,699**	**109,629**	**102,897**	**89,577**	**341,971**	**256,461**
Noninterest Income	21,019	23,692	23,143	23,581	37,067	67,854	86,061
Noninterest Expense	82,841	84,643	85,987	85,627	67,537	253,471	205,390
Pre-tax Net Income	**57,821**	**51,748**	**46,785**	**40,851**	**59,107**	**156,354**	**137,132**
Provision for Income Taxes	11,406	9,999	6,815	25,123	18,338	28,220	40,032
Net Income	**$46,415**	**$41,749**	**$39,970**	**$15,728**	**$40,769**	**$128,134**	**$97,100**
EPS (Diluted)	$0.63	$0.57	$0.55	$0.23	$0.70	$1.75	$1.67
Weighted Avg # of Diluted Shares Outstanding	72,432	72,390	72,305	67,125	57,571	72,374	57,465
Acquisition Related Costs[(1)]	*$1,081*	*$2,822*	*$4,265*	*$13,638*	*$1,171*	*$8,168*	*$3,558*

[(1)] Acquisition Related Costs are included in Noninterest Expense, above.

Expanding Operating Net Interest Margin *

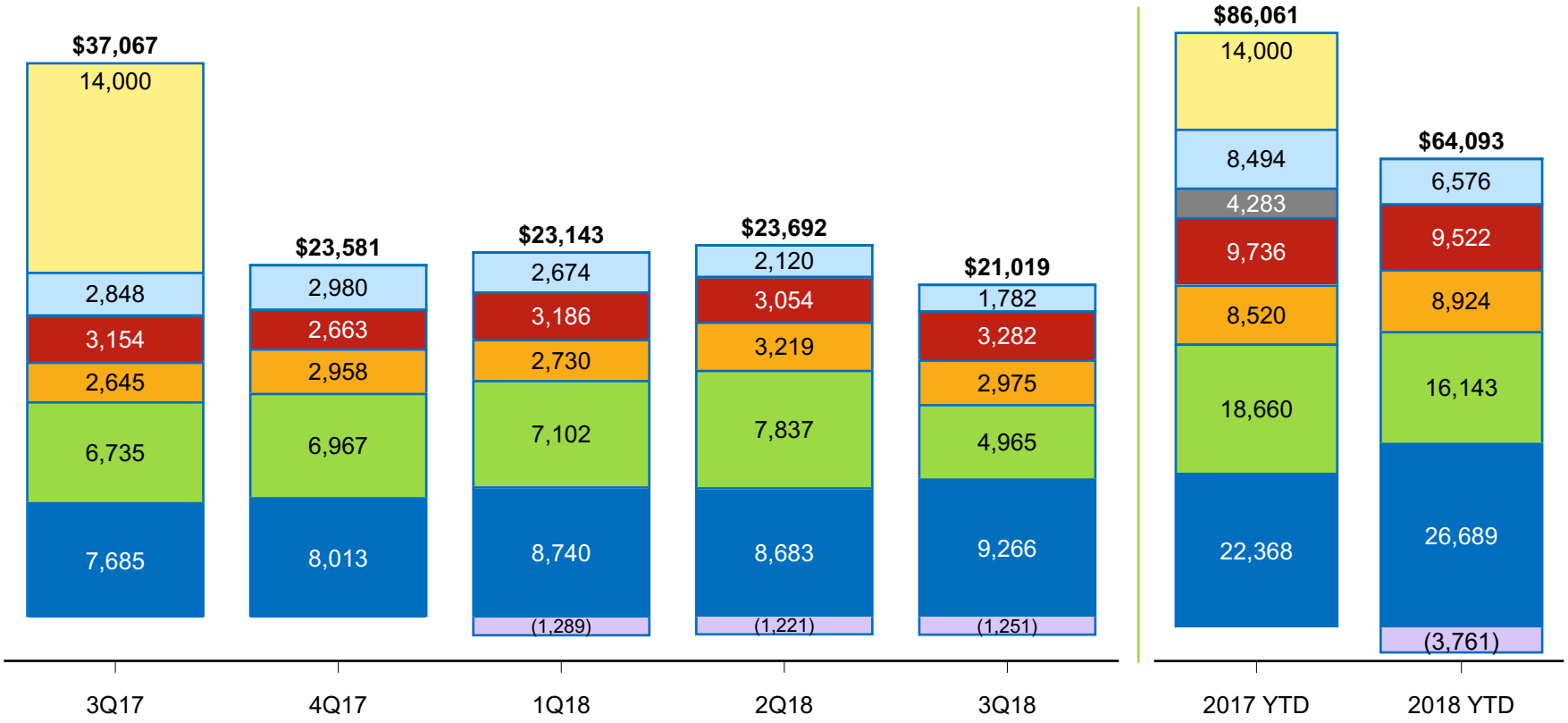






*Operating net interest margin is a non-GAAP measure. Refer to end of presentation for additional information.

Non-Interest Income

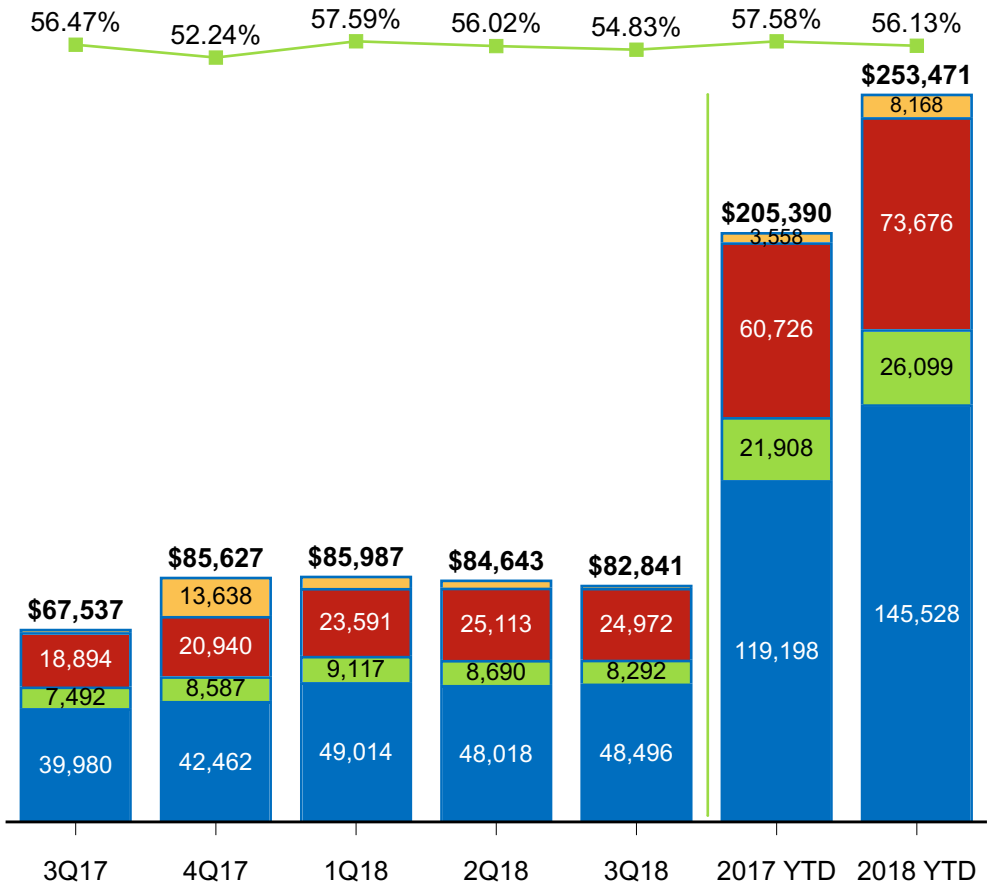


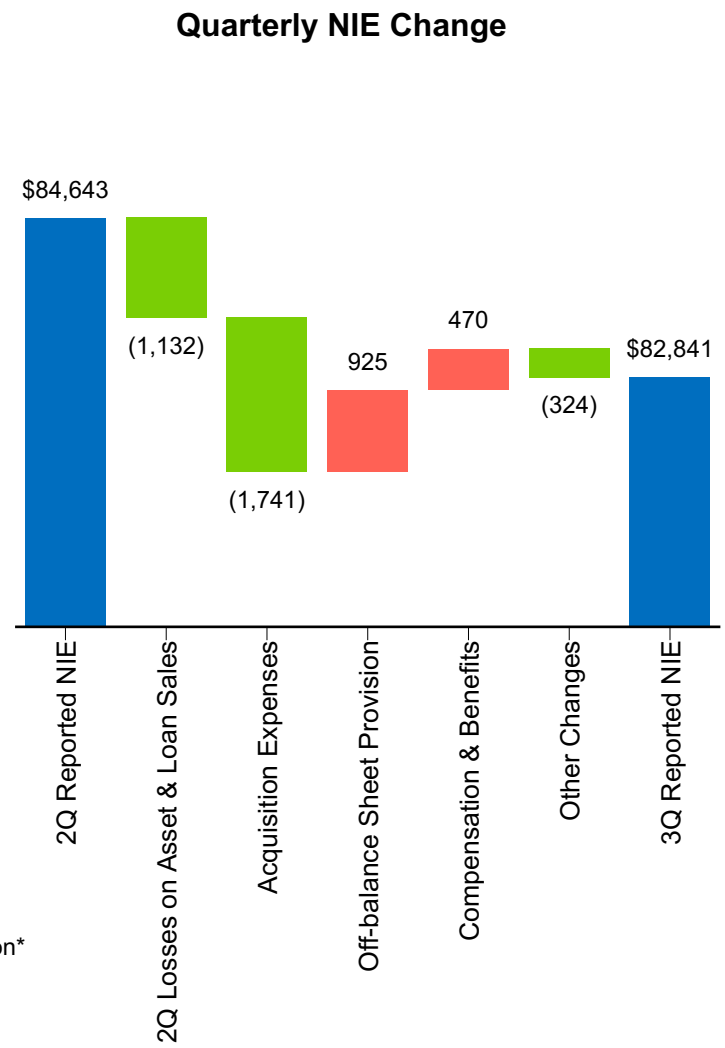
$ in Thousands

- 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**

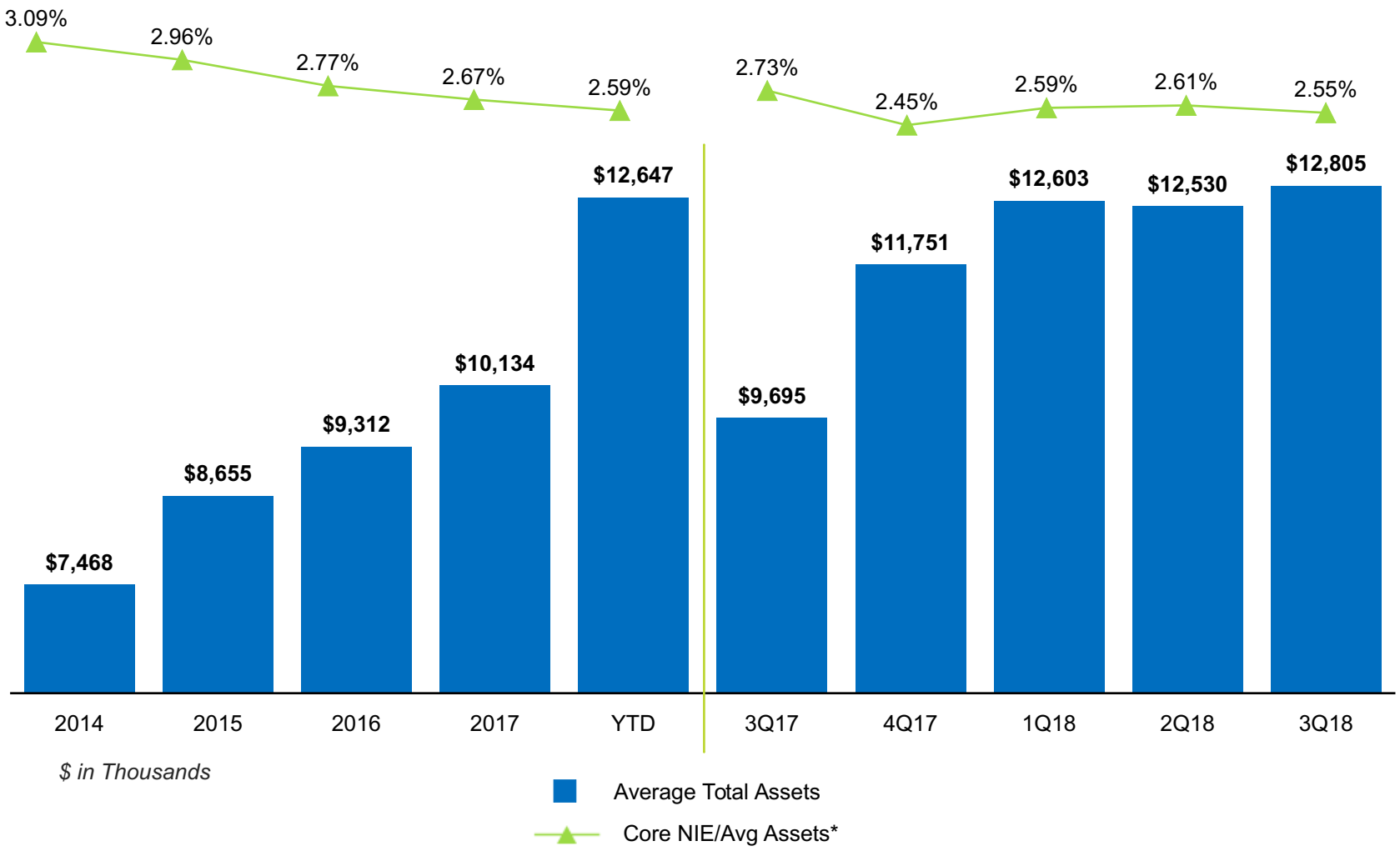




*Acquisition Related Expense is excluded from individual expense groups and shown in aggregate. Individual expense groups excluding acquisition expenses are non-GAAP measures. Refer to end of presentation for more information.

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

Favorable Trend in Expense Management



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

Acquisition Related Expense

$ in Thousands	3Q18	2Q18	1Q18	4Q17	3Q17	Year-to-Date 2018	Year-to-Date 2017
Compensation and employee benefits	$923	$931	$1,556	$8,011	$3	$3,410	$3
Occupancy	29	586	1,004	967	593	1,619	945
Advertising and promotion	—	22	512	266	184	534	201
Data processing	20	634	287	1,016	66	941	539
Legal and professional fees	102	216	575	3,031	157	893	1,587
Other	7	433	331	347	168	771	283
Total Acquisition Related Expense	**$1,081**	**$2,822**	**$4,265**	**$13,638**	**$1,171**	**$8,168**	**$3,558**

Selected Balance Sheet & Ratios

$ in Millions	3Q18	2Q18	1Q18	4Q17	3Q17
Total Assets	$ 12,957	$ 12,629	$ 12,531	$ 12,717	$ 9,815
Securities, Including Equity Securities & FHLB Stock	2,943	2,665	2,641	2,753	2,218
Loans, Net of unearned Income	8,514	8,454	8,340	8,359	6,512
Allowance for Loan & Leases Losses	84	80	80	76	72
Goodwill & Other Intangibles	815	818	821	824	397
Core Deposits	10,085	9,889	9,897	10,040	7,999
Deposits	10,604	10,384	10,396	10,532	8,342
Total Shareholders' Equity	1,981	1,965	1,948	1,950	1,328
Ratios:					
ROAA	1.45%	1.33%	1.27%	0.54%	1.68%
ROAE	9.36%	8.54%	8.2%	3.59%	12.32%
ROATCE*	16.74%	15.57%	15.08%	6.37%	17.93%
Loans/Deposits	80%	81%	80%	79%	78%
Core Deposit Ratio	95%	95%	95%	95%	96%
Tangible Common Equity*	9.61%	9.71%	9.63%	9.47%	9.89%

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

New Technology Initiatives

CardSwap™ & Peer-to-Peer Payment

Business Digital Banking

Small Business Lending

Online Account Opening

NeighborHub

CardSwap: Allows account holders to automatically update new payment card information across their favorite online subscriptions and vendors in a single, simple workflow.

Peer-to-Peer Payment: Allows you to send and receive money with peace of mind. Safely and easily send money to people you know through online and mobile banking.

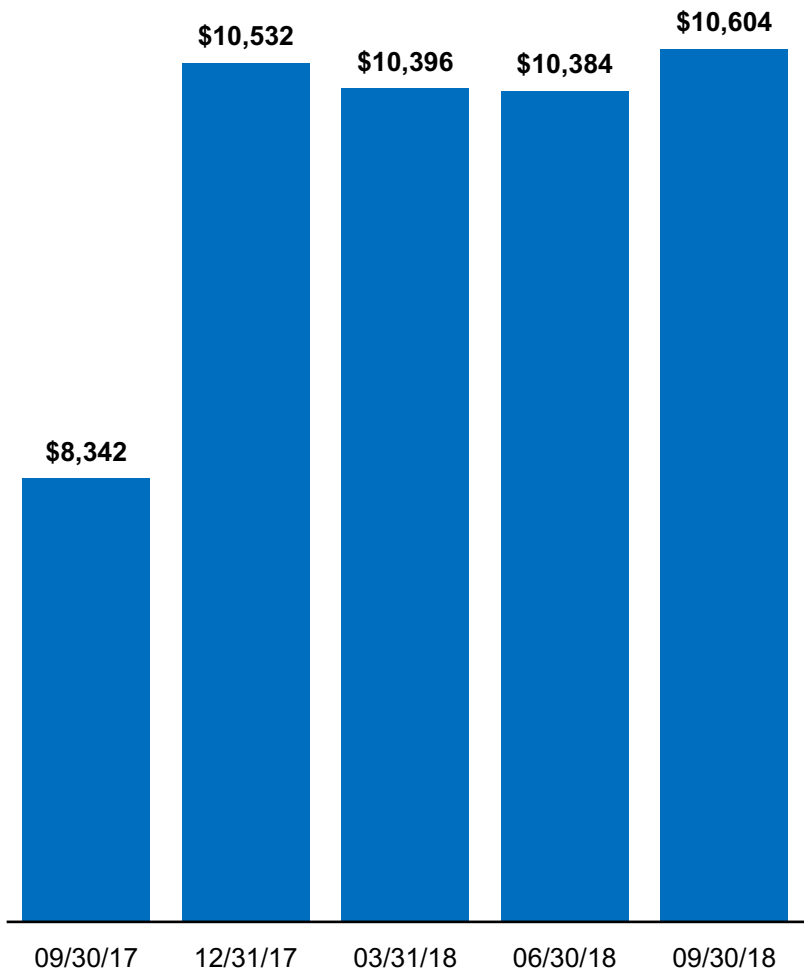
Business Digital Banking: A suite of mobile business digital banking tools for commercial clients and small businesses.

Small Business Lending: A platform to support the online application process and streamline the approval workflow.

Online Account Opening: End-to-end account opening strategy accessible from the web or a mobile device.

NeighborHub: A new retail branch concept that merges technology and human interaction with a connection to the neighborhood.

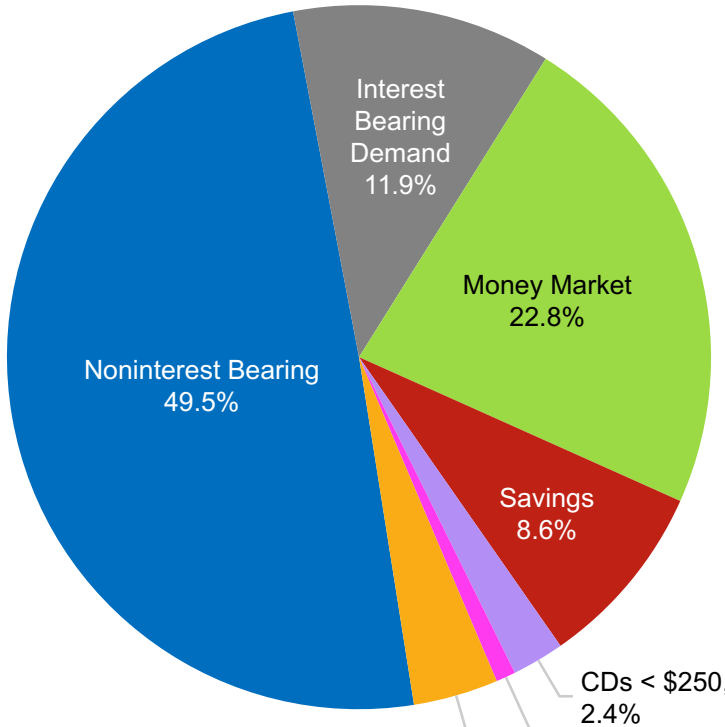
Diversified, Relationship Centered Deposit Base



$ in Millions

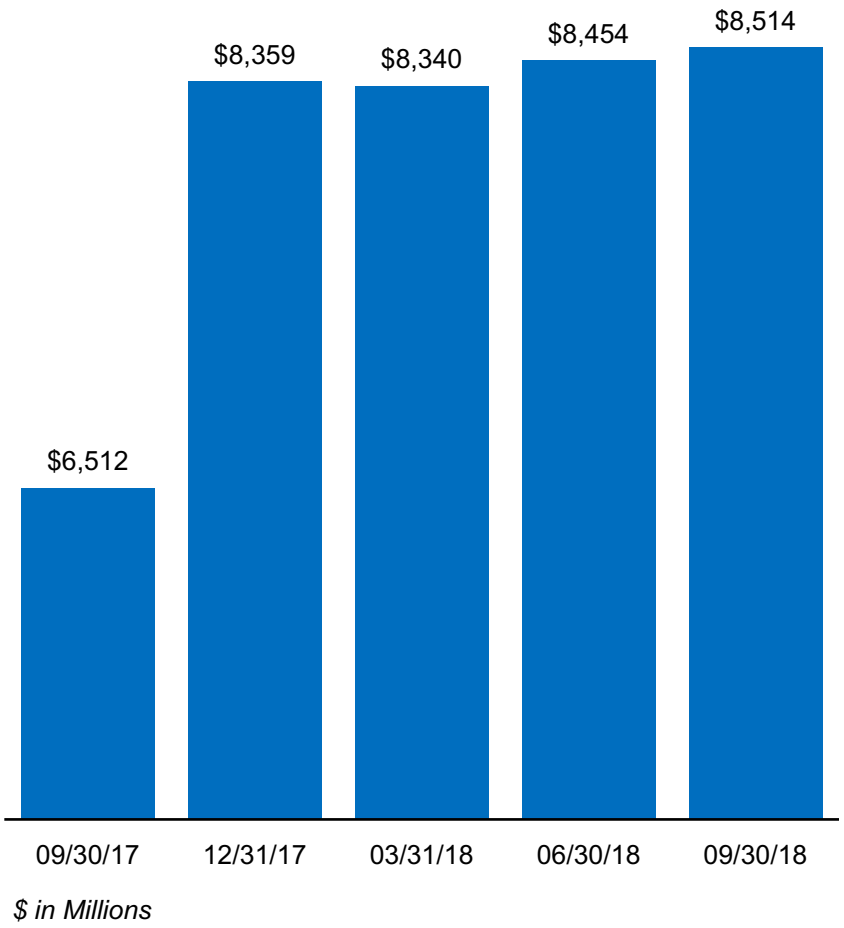
Total Deposits $10.6 billion

58% Business & 42% Consumer
Core deposit ratio = 95%

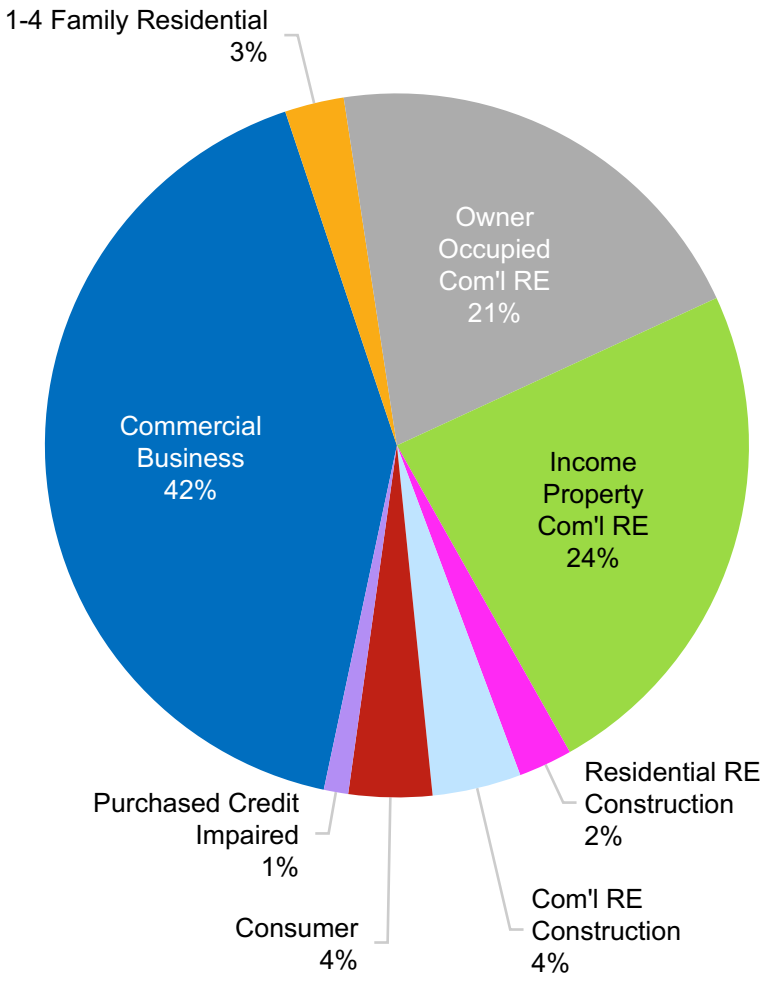


As of September 30, 2018

Total Loans, Net of Unearned Income



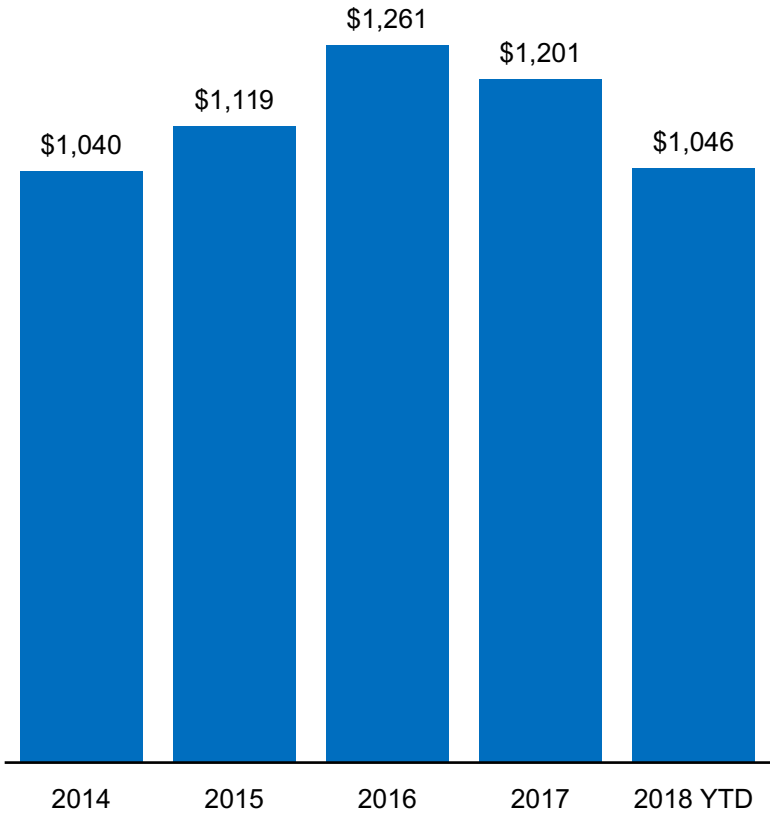
Total Loans = $8.5 billion



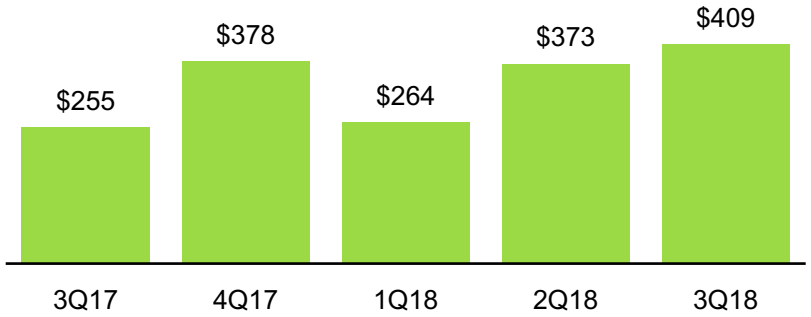
As of September 30, 2018

Record Loan Production

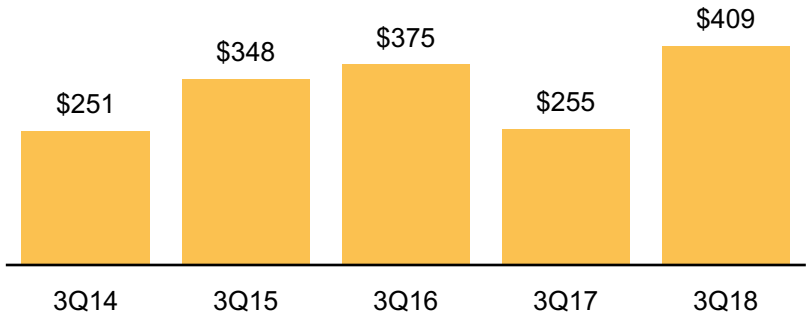
Annual Loan Production



Rolling 5 Quarter Loan Production

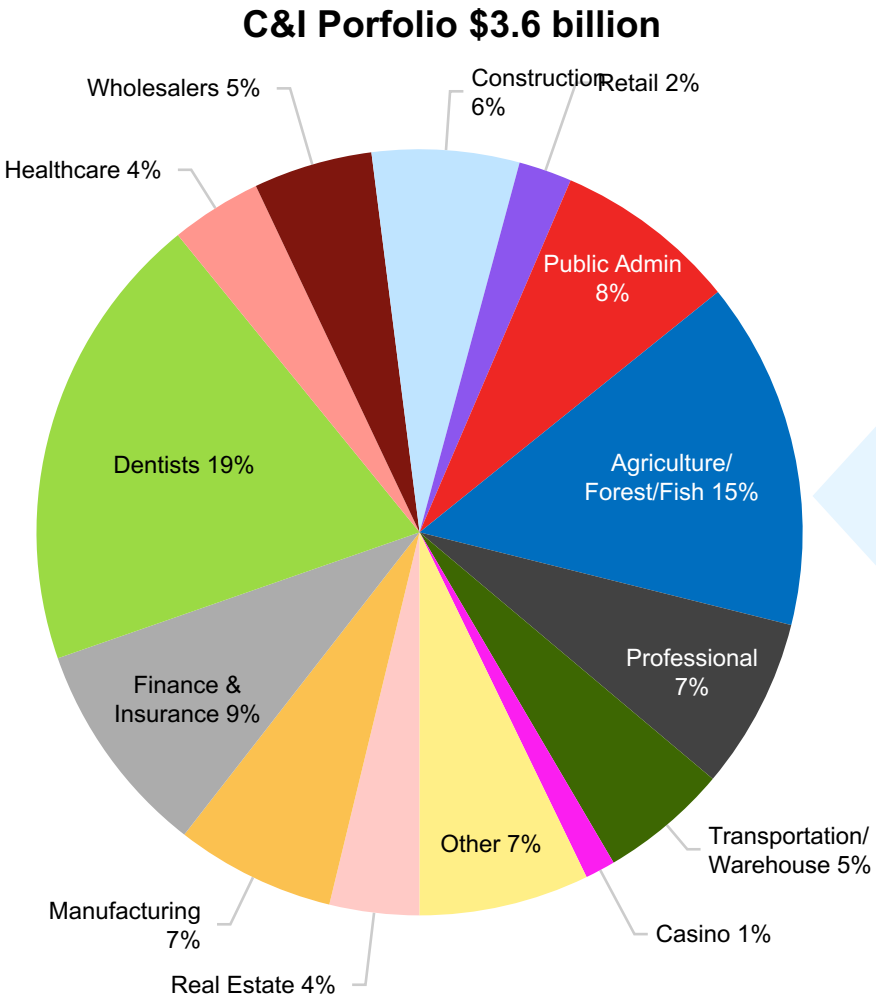


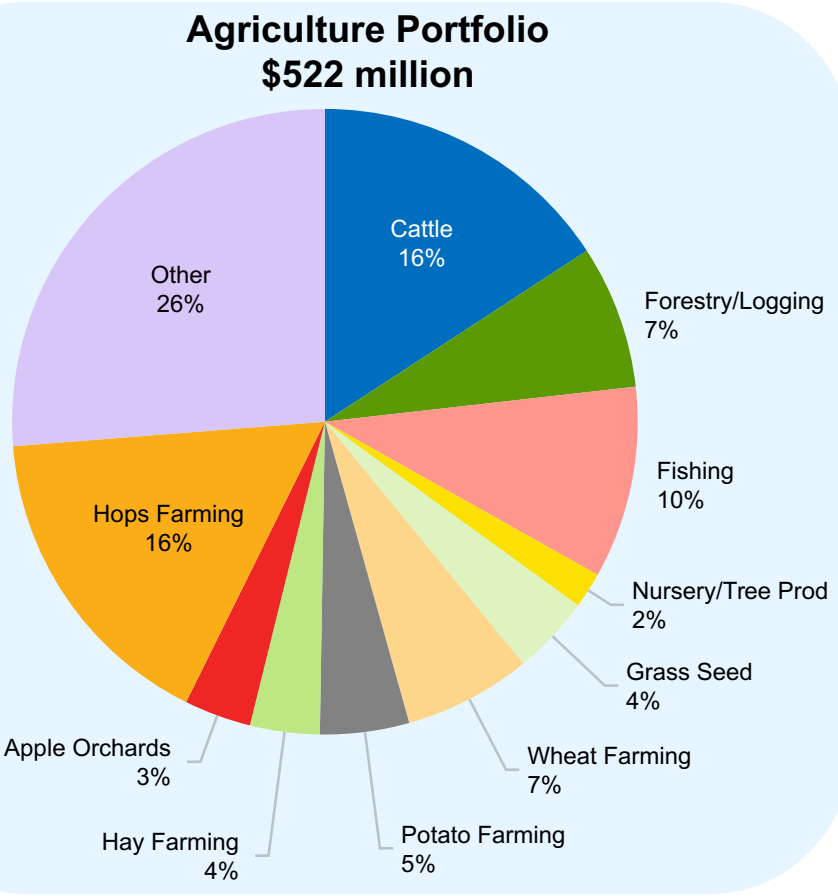
3rd Quarter Loan Production



$ in Millions

Well Diversified C&I and Agriculture Loan Portfolios



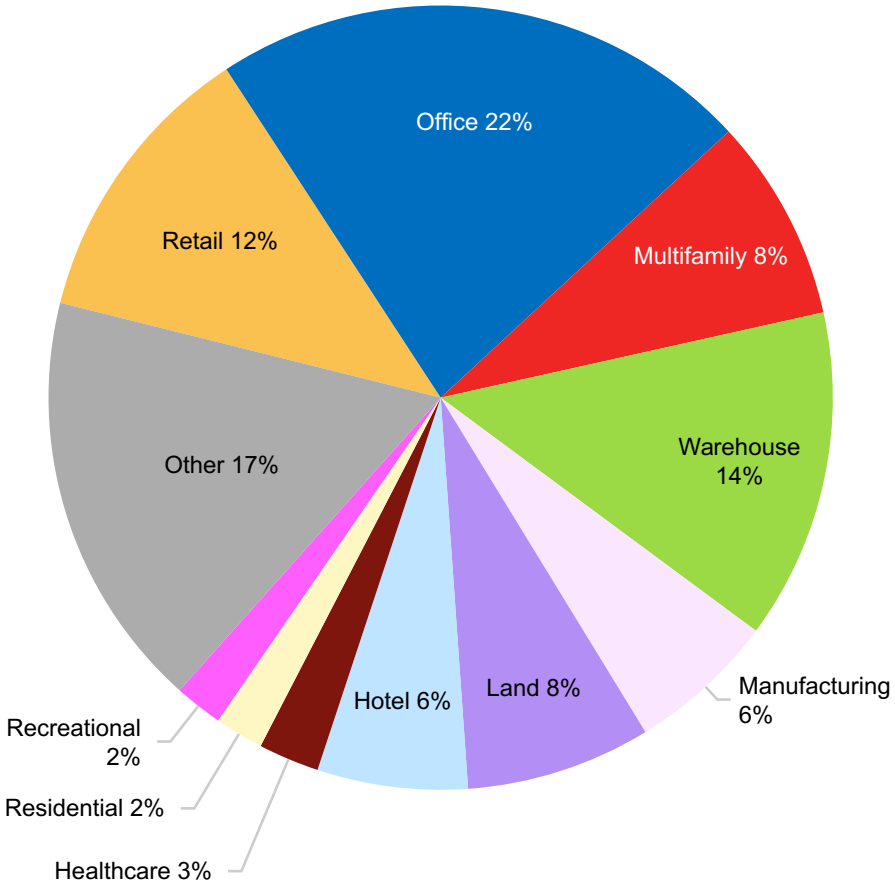


As of September 30, 2018

Balanced CRE Loan Portfolio

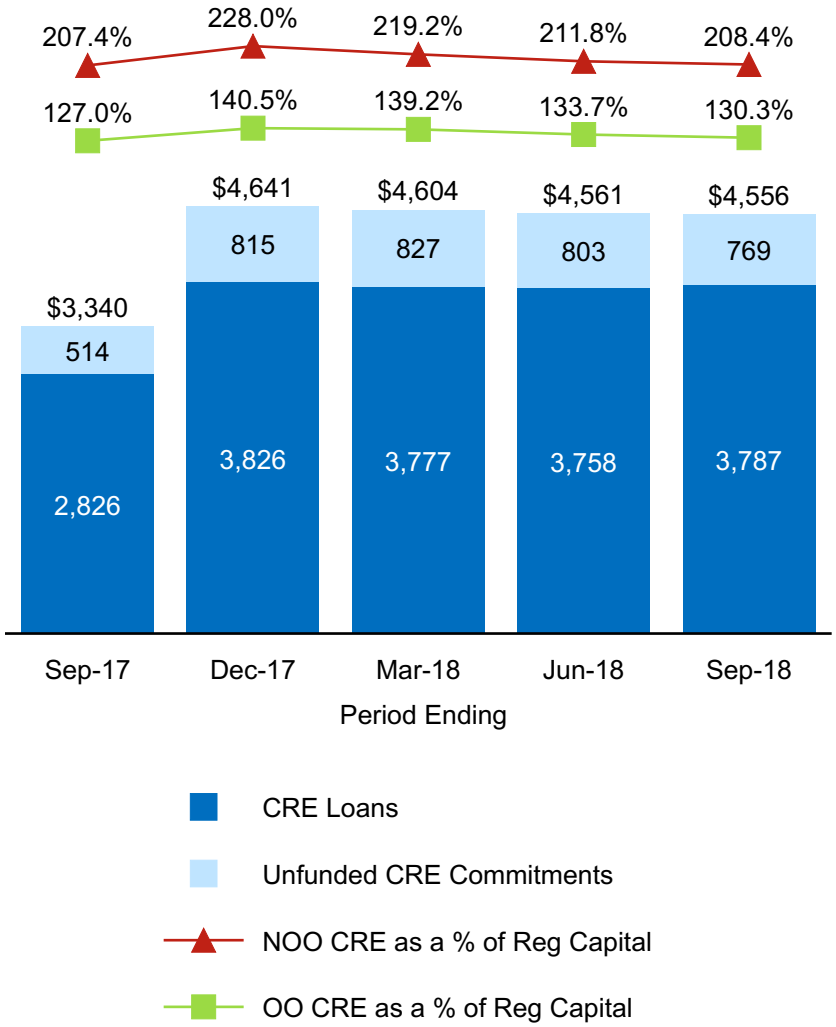
CRE Portfolio $3.8 billion

Balanced with 54% Income Property and 46% Owner-occupied

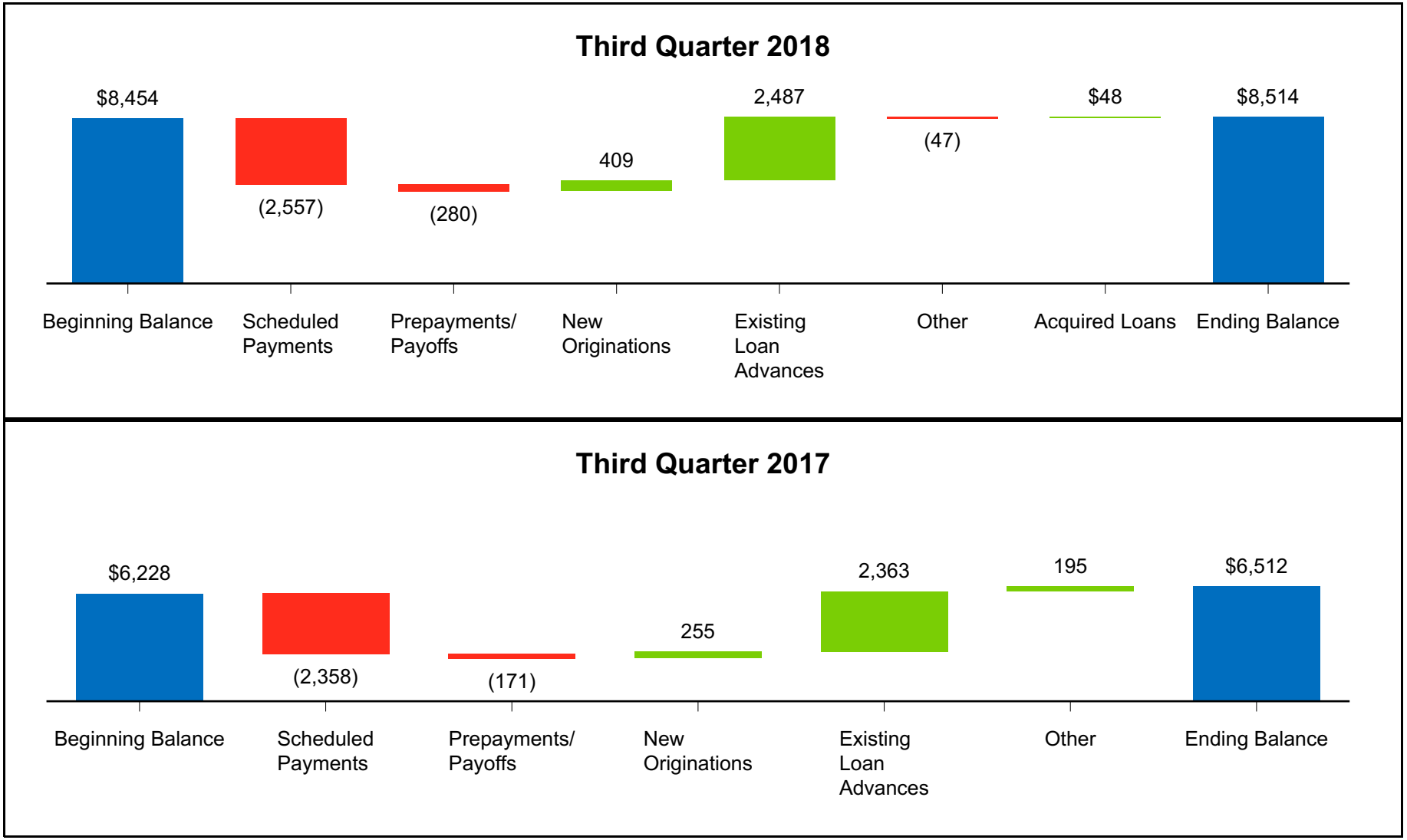


As of September 30, 2018

Consistent CRE Coverage

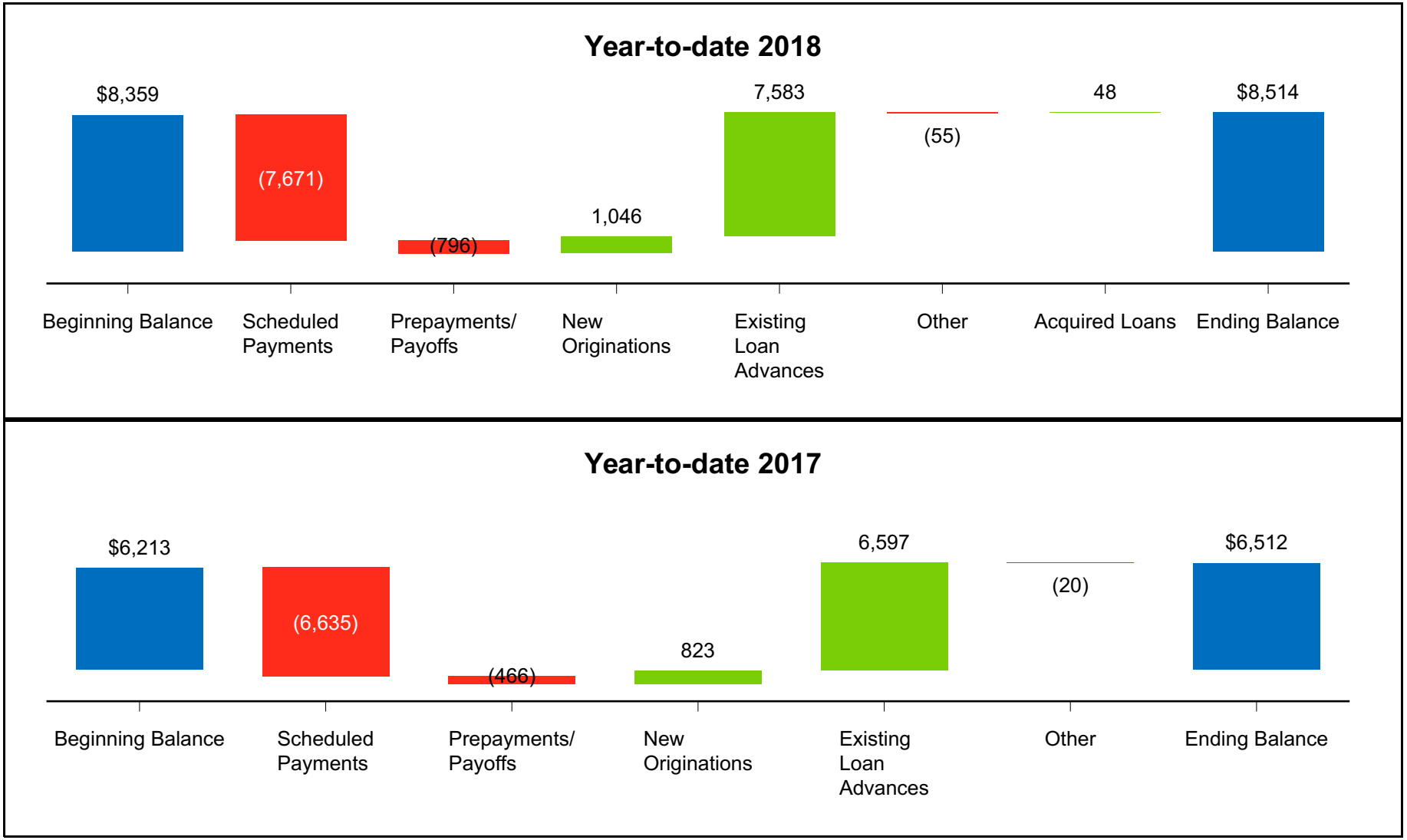


Components of Third Quarter Change in Loans



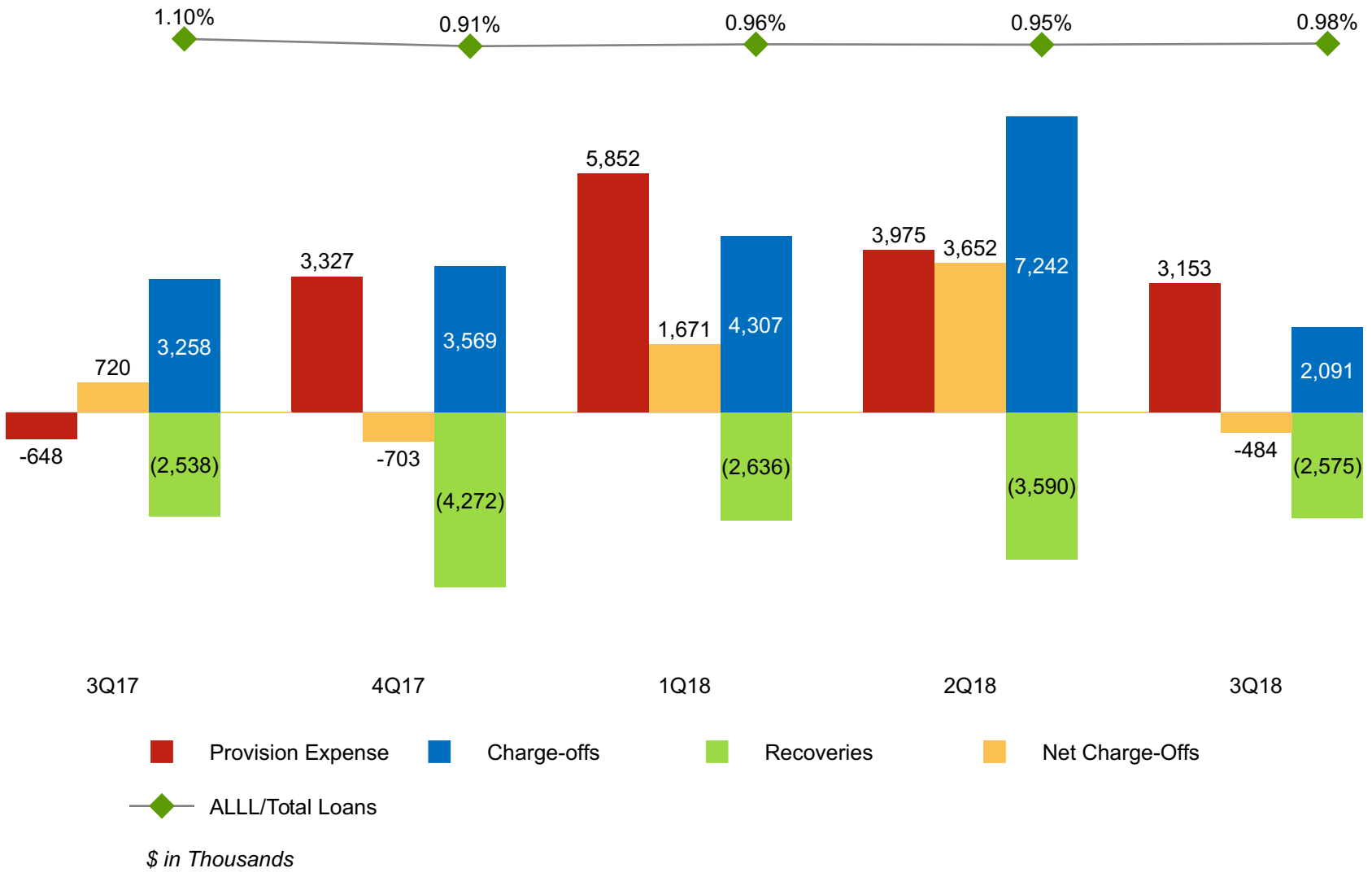
$ in Millions

Components of Year-to-Date Change in Loans

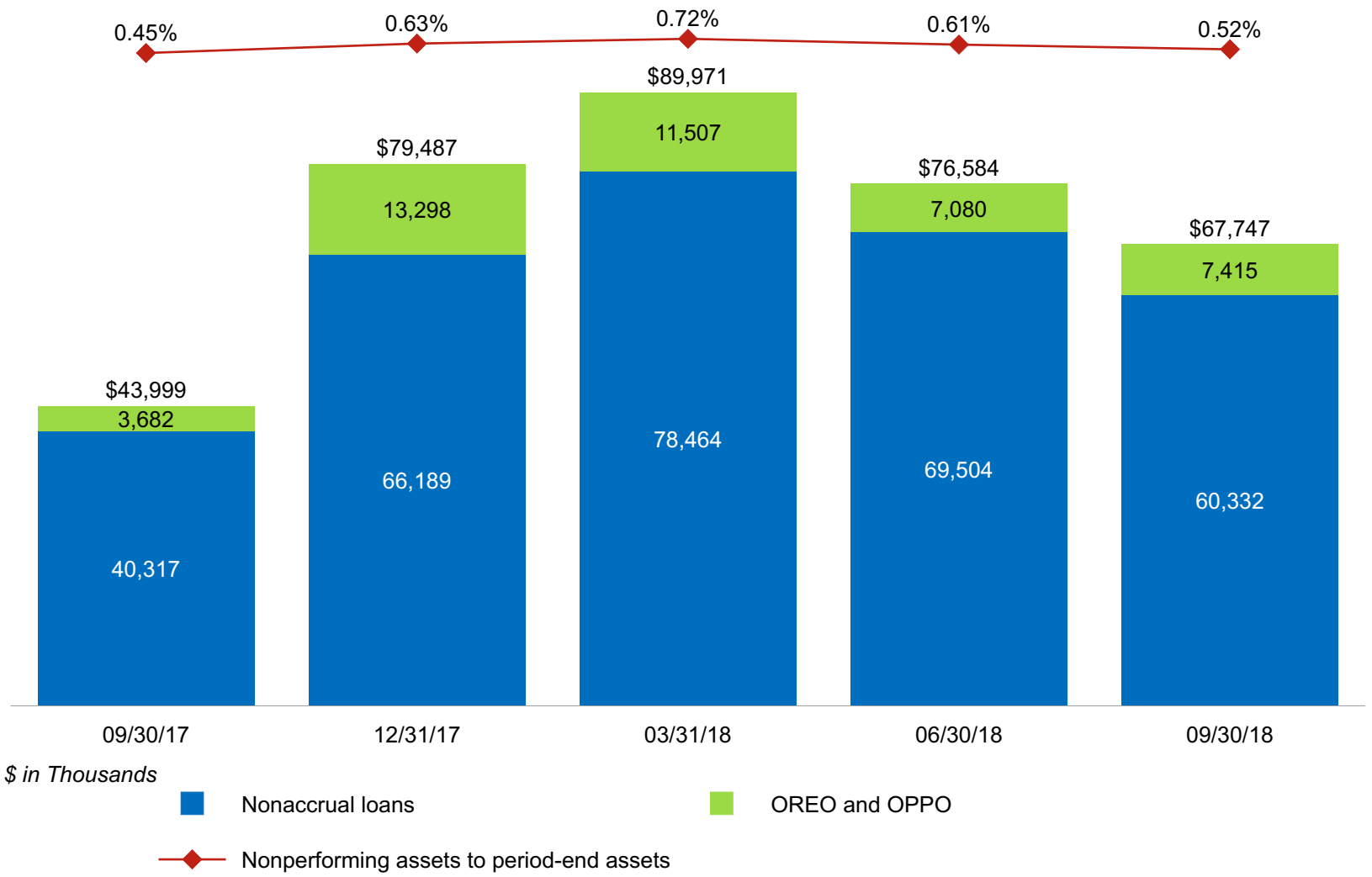


$ in Millions

ALLL Components



Nonperforming Assets



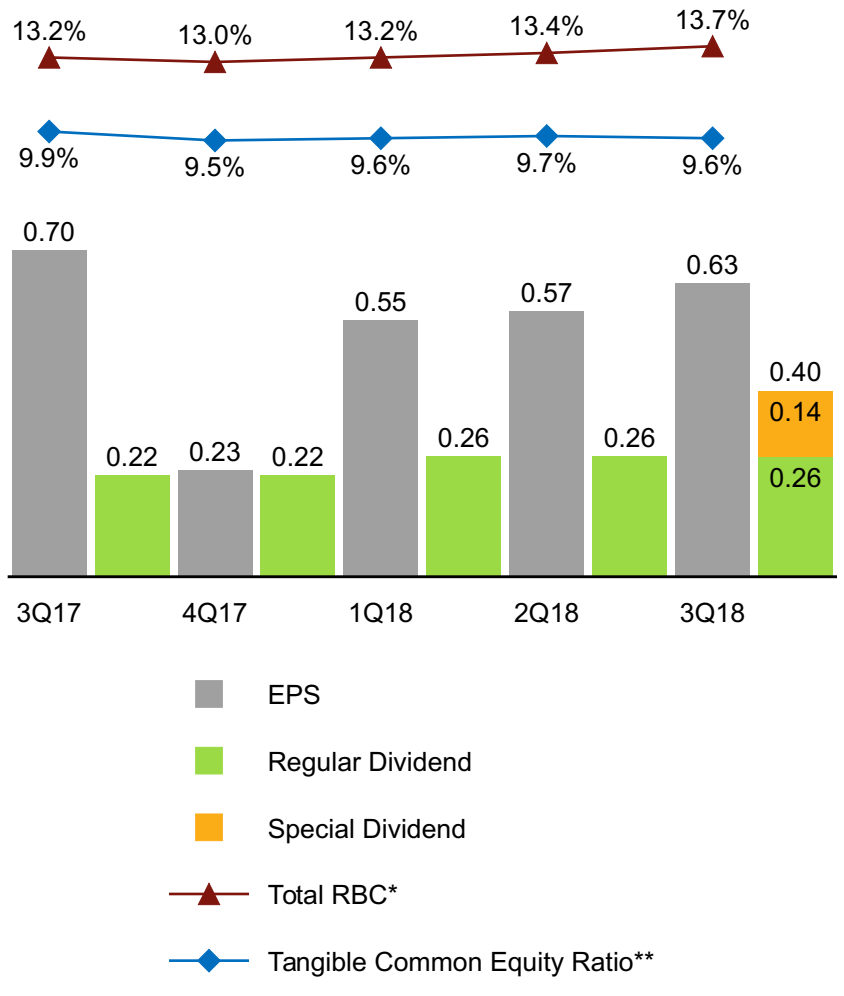
Attractive Northwest Markets

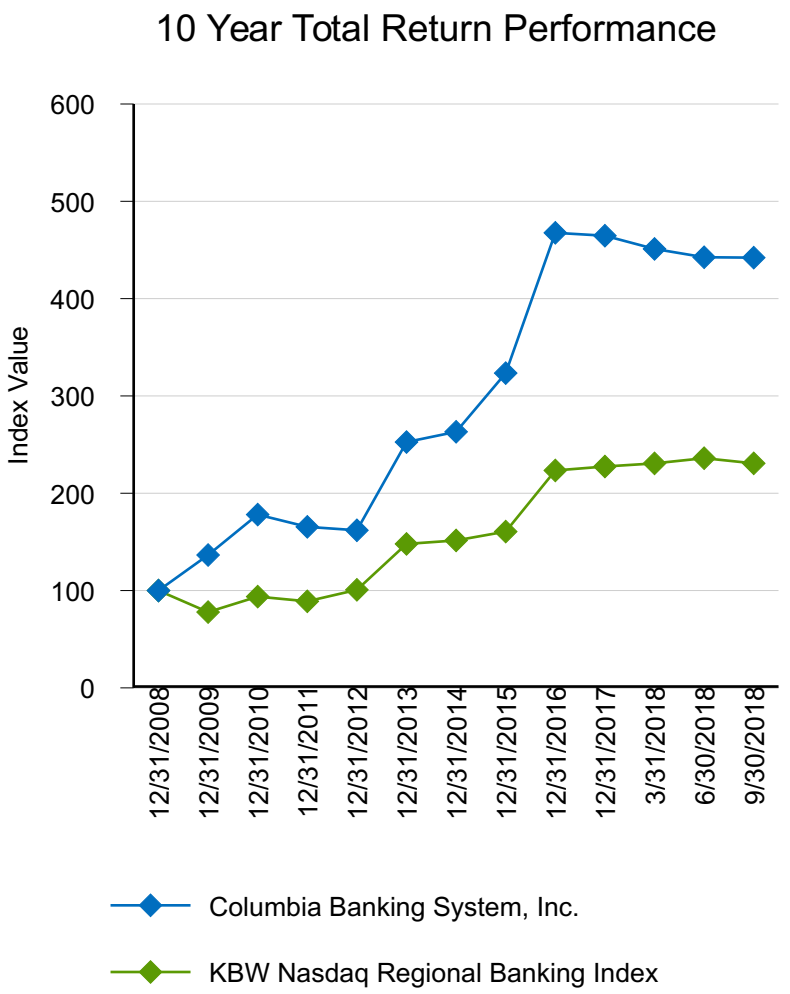
	✓ *Better Than or Equal to U.S. Average*	Seattle-Tacoma-Bellevue	Portland-Vancouver	Boise	Washington	Oregon	Idaho	United States
Demographics	Population Increase *(2010 – 2018)*	12.96%✓	11.34%✓	15.44%✓	10.73✓	8.95%✓	9.58%✓	5.76%
	Projected Population Change *(2018-2023)*	6.74✓	6.59%✓	7.31%✓	6.04%✓	5.84%✓	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)] *(Sep 2018, State & MSA's May 2018)*	3.6%✓	3.6%✓	2.5%✓	4.4%	3.8%	2.7%✓	3.7%
	Home Price Index Change *12 months ending Apr 2018* *24 months ending Apr 2018* *Low in 1Q12 – Apr 2018*	12.1%✓ 27.2%✓ 100.8%✓	5.6% 13.6%✓ 82.5%✓	n/a	n/a	n/a	n/a	6.0% 12.1% 53.2%

[(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


WASHINGTON
OREGON
IDAHO
Bellingham
Concrete
Everett
Redmond
Bellevue
Seattle
Hoodsport
Tacoma
Puyallup
Olympia
Centralia
Longview
Astoria
Cannon Beach
Vancouver
Tillamook
Lake Oswego
Canby
McMinnville
Salem
Newport
Waldport
Eugene
Madras
Redmond
Bend
White Salmon
Goldendale
Hood River
The Dalles
Ritzville
Spokane
Othello
Mattawa
Yakima
Sunnyside
Pasco
Richland
Walla Walla
Colfax
Pullman
Clarkston
Hermiston
Pendleton
Bonners Ferry
Ponderay
Sandpoint
Priest River
Rathdrum
Coeur d'Alene
Post Falls
Kellogg
Weiser
Payette
Ontario
Caldwell
Nampa
Gooding
Twin Falls
A network of 150 branches throughout the Northwest

Strong Capital, Dividend Payouts & Total Return





*3Q18 Total RBC Ratio is preliminary
**Tangible Common Equity Ratio is a non-GAAP measure. Refer to end of presentation for additional information.

Columbia – An Award-Winning Company

PUGET SOUND BUSINESS JOURNAL

BEST

2018 WASHINGTON'S BEST WORKPLACES

Forbes 2018 BEST BANKS IN AMERICA

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PORTLAND BUSINESS JOURNAL

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BEST OF THE 2018 SOUTH SOUND

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CORPORATE CITIZENSHIP

SILVER

2018 BEST OF THE MID-VALLEY

Non-GAAP Financial Measures

Net Interest Margin *$ in Thousands*	2014	2015	2016	2017	2018 YTD	3Q17	4Q17	1Q18	2Q18	3Q18
Net interest income (tax equivalent) (1)	$312,146	$334,548	$344,425	$380,107	$360,750	$91,887	$109,627	$117,359	$118,602	$124,789
Adjustments to arrive at operating net interest income (tax equivalent):										
Incremental accretion income on FDIC purchased credit impaired	(20,224)	(9,096)	(5,972)	(4,107)	(1,240)	(972)	(265)	(329)	(326)	(585)
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)	(8,703)	(1,903)	(2,482)	(3,370)	(2,690)	(2,643)
Premium amortization on acquired securities	7,123	10,217	7,738	6,636	6,065	1,527	1,978	2,075	2,131	1,859
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	1,147	311	443	417	253	477
Operating net interest income (tax equivalent) (1)	$276,137	$319,286	$335,280	$377,484	$358,019	$90,850	$111,072	$116,152	$117,970	$123,897
Average Earning Assets	6,561,047	7,685,734	8,363,309	9,098,276	11,168,143	8,750,561	10,453,097	11,122,753	11,052,807	11,326,629
Net Interest Margin *(tax equivalent)*	4.76%	4.35%	4.12%	4.18%	4.31%	4.20%	4.20%	4.22%	4.29%	4.41%
Operating Net Interest Margin *(tax equivalent)*	4.21%	4.15%	4.01%	4.15%	4.27%	4.15%	4.25%	4.18%	4.27%	4.38%

(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	2018 YTD	3Q17	4Q17	1Q18	2Q18	3Q18
Reported Noninterest Expense	$239,286	$266,149	$261,142	$291,017	$253,471	$67,537	$85,627	$85,987	$84,643	$82,841
- FDIC Clawback (Expense)/Recap (3)	(294)	(979)	(280)	54	—	—	—	—	—	—
- Acquisition Related Costs	(9,432)	(10,917)	(2,727)	(17,196)	(8,168)	(1,171)	(13,638)	(4,265)	(2,822)	(1,081)
- Net OREO/OPPO Exp (3)	1,182	1,724	(544)	(466)	—	(271)	(46)	—	—	—
- Term of FDIC Loss Sharing Agreement	—	—	—	(2,409)	—	—	—	—	—	—
Core Noninterest Exp	$230,742	$255,977	$257,591	$271,000	$245,303	$66,095	$71,943	$81,722	$81,821	$81,760
Average Assets	7,468,091	8,655,243	9,311,621	10,134,306	12,646,678	9,695,005	11,751,049	12,603,144	12,529,540	12,805,131
Noninterest Expense/ Average Assets	3.20%	3.08%	2.80%	2.87%	2.67%	2.79%	2.91%	2.73%	2.70%	2.59%
Core NIE/Average Assets	3.09%	2.96%	2.77%	2.67%	2.59%	2.73%	2.45%	2.59%	2.61%	2.55%

(3) Effective January 1, 2018 Core NIE excludes acquisition expenses and other one-time non-recurring items. Prior to that, Core NIE also excluded the change in the FDIC Clawback liability and net OREO/OPPO expense.

Tangible Common Equity *$ in Thousands*	3Q17	4Q17	1Q18	2Q18	3Q18
Total Shareholders' Equity	1,328,428	1,949,922	1,947,923	1,964,881	1,981,395
- Preferred Equity	—	—	—	—	—
- Goodwill	(382,762)	(765,842)	(765,842)	(765,842)	(765,842)
- Other Intangible Assets, net	(13,845)	(58,173)	(54,985)	(51,897)	(48,827)
Tangible Common Equity	$931,821	$1,125,907	$1,127,096	$1,147,142	$1,166,726
Total Assets	9,814,578	12,716,886	12,530,636	12,628,586	12,956,596
Goodwill	(382,762)	(765,842)	(765,842)	(765,842)	(765,842)
- Other Intangible Assets, net	(13,845)	(58,173)	(54,985)	(51,897)	(48,827)
Tangible Assets	$ 9,417,971	$11,892,871	$11,709,809	$11,810,847	$12,141,927
Tangible Common Equity Ratio	9.89%	9.47%	9.63%	9.71%	9.61%

ROATCE *$ in Thousands*	3Q17	4Q17	1Q18	2Q18	3Q18
Net Income	$ 40,769	$ 15,728	$ 39,970	$ 41,749	$ 46,415
- Preferred Dividends	—	—	—	—	—
Net Inc Applicable to Common Shareholders	40,769	15,728	39,970	41,749	46,415
+ Amortization of Intangibles	1,188	2,547	3,188	3,088	3,070
- Tax Effect on Intangible Amort	(416)	(891)	(669)	(649)	(645)
Adjusted Net Inc	41,541	17,384	42,489	44,188	48,840
Avg Shareholders' Equity	1,323,794	1,754,745	1,949,275	1,954,552	1,983,317
- Avg Preferred Equity	—	—	—	—	—
- Average Intangibles	(397,160)	(662,814)	(822,376)	(819,211)	(816,128)
Adjusted Avg Common Shareholders' Equity	926,634	1,091,931	1,126,899	1,135,341	1,167,189
Return on Average Tangible Common Shareholders' Equity	17.93%	6.37%	15.08%	15.57%	16.74%

Non-GAAP Financial Measures

Operating Efficiency Ratio $ in Thousands	3Q17	4Q17	1Q18	2Q18	3Q18	2017 YTD	2018 YTD
Noninterest expense (numerator A)	$ 67,537	$ 85,627	$ 85,987	$ 84,643	$ 82,841	$ 205,390	$ 253,471
Adjustments to arrive at operating noninterest expense:							
Acquisition-related expenses	(1,171)	(13,638)	(4,265)	(2,822)	(1,081)	(3,558)	(8,168)
Net benefit (cost) of operation of OREO and OPPO	(271)	(46)	4	(758)	(485)	(420)	(1,239)
FDIC clawback liability recovery	—	—	—	—	—	54	—
Loss on asset disposals	—	(56)	—	(1)	(110)	(14)	(111)
Termination of FDIC loss share agreements charge	—	—	—	—	—	(2,409)	—
State of Washington Business and Occupation ("B&O") taxes	(1,394)	(1,167)	(1,317)	(1,459)	(1,478)	(3,159)	(4,254)
Operating noninterest expense (numerator B)	$ 64,701	$ 70,720	$ 80,409	$ 79,603	$ 79,687	$ 195,884	$ 239,699
Net interest income (tax equivalent) (1)	$ 91,887	$ 109,627	$ 117,359	$ 118,602	$ 124,789	$ 270,480	$ 360,750
Noninterest income	37,067	23,581	23,143	23,692	21,019	86,061	67,854
Bank owned life insurance tax equivalent adjustment	695	741	379	455	373	2,156	1,207
Total revenue (tax equivalent) (denominator A)	129,649	133,949	140,881	142,749	146,181	358,697	429,811
Operating net interest income (tax equivalent) (1)	90,850	111,072	116,152	117,970	123,897	266,412	358,019
Adjustments to arrive at operating noninterest income (tax equivalent):							
Investment securities losses, net	$ —	$ 11	$ (22)	$ 33	$ 62	$ —	$ 73
Gain on asset disposals	(38)	(34)	(35)	(47)	(29)	(323)	(111)
Mortgage loan repurchase liability adjustment	—	—	—	—	—	(573)	—
Change in FDIC loss-sharing asset	—	—	—	—	—	447	—
Gain on sale of merchant card services portfolio	(14,000)	—	—	—	—	(14,000)	—
Operating noninterest income (tax equivalent)	23,724	24,299	23,465	24,133	21,425	73,768	69,023
Total operating revenue (tax equivalent) (denominator B)	$ 114,574	$ 135,371	$ 139,617	$ 142,103	$ 145,322	$ 340,180	$ 427,042
Efficiency ratio (tax equivalent) (numerator A/denominator A)	52.09%	63.93%	61.04%	59.29%	56.67%	57.26%	58.97%
Operating efficiency ratio (tax equivalent) (numerator B/denominator B)	56.47%	52.24%	57.59%	56.02%	54.83%	57.58%	56.13%

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

Non-interest Expense net of Acquisition Related Expense $ in Thousands	3Q17	4Q17	1Q18	2Q18	3Q18
Compensation & Employee Benefits	$ 39,983	$ 50,473	$ 50,570	$ 48,949	$ 49,419
less: Related Acquisition Expense	(3)	(8,011)	(1,556)	(931)	(923)
Compensation & Employee Benefits net of ARC's	$ 39,980	$ 42,462	$ 49,014	$ 48,018	$ 48,496
Occupancy, Equipment & Depreciation	$ 8,085	$ 9,554	$ 10,121	$ 9,276	$ 8,321
less: Related Acquisition Expense	(593)	(967)	(1,004)	(586)	(29)
Occupancy, Equipment & Depreciation net of ARC's	$ 7,492	$ 8,587	$ 9,117	$ 8,690	$ 8,292
Total Noninterest Expense	$ 67,537	$ 85,627	$ 85,987	$ 84,643	$ 82,841
-Compensation and employee benefits	(39,983)	(50,473)	(50,570)	(48,949)	(49,419)
-Occupancy, Equipment & Depreciation	(8,085)	(9,554)	(10,121)	(9,276)	(8,321)
Other Noninterest Expense	19,469	25,600	25,296	26,418	25,101
less: Related Acquisition Expense	(575)	(4,660)	(1,705)	(1,305)	(129)
Other Noninterest Expense net of ARC's	$ 18,894	$ 20,940	$ 23,591	$ 25,113	$ 24,972
Total Acquisition Related Expense	$ 1,171	$ 13,638	$ 4,265	$ 2,822	$ 1,081