Section 1: 10-Q (10-Q)

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 June 30, 2019.

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

For the transition period from to

Commission File Number 0-20288

COLUMBIA BANKING SYSTEM, INC.

(Exact name of registrant as specified in its charter)

Washington	**91-1422237**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

1301 A Street

Tacoma, Washington 98402-2156
(Address of principal executive offices 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**	**NASDAQ Global Select Market**
(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 July 29, 2019 was 72,939,361.

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PART I - FINANCIAL INFORMATION

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."

ALLL	Allowance for loan and lease losses	**FASB**	Financial Accounting Standards Board
ASC	Accounting Standards Codification	**FDIC**	Federal Deposit Insurance Corporation
ASU	Accounting Standards Update	**FHLB**	Federal Home Loan Bank of Des Moines
ATM	Automated Teller Machine	**FRB**	Federal Reserve Bank
BOLI	Bank Owned Life Insurance	**LIBOR**	London Interbank Offering Rate
Basel III	A comprehensive capital framework and rules for U.S. banking organizations approved by the FRB and the FDIC in 2013	**NIM**	Net Interest Margin
B&O	Business and Occupation	**OPPO**	Other Personal Property Owned
CDI	Core Deposit Intangible	**OREO**	Other Real Estate Owned
CECL	Current Expected Credit Loss	**Pacific Continental**	Pacific Continental Corporation
CDARS®	Certificate of Deposit Account Registry Service	**PCI**	Purchased Credit Impaired
CET1	Common Equity Tier 1	**REASD**	Real Estate Appraisal Services Department
CEO	Chief Executive Officer	**SBA**	Small Business Administration
CFO	Chief Financial Officer	**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	**GAAP**	Generally Accepted Accounting Principles

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Item 1. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS

Columbia Banking System, Inc.
(Unaudited)

ASSETS	June 30, 2019	December 31, 2018
	(in thousands)	
Cash and due from banks	$ 224,327	$ 260,180
Interest-earning deposits with banks	34,332	17,407
Total cash and cash equivalents	258,659	277,587
Debt securities available for sale at fair value	2,864,418	3,167,448
FHLB stock at cost	29,800	25,960
Loans held for sale	12,189	3,849
Loans, net of unearned income	8,646,990	8,391,511
Less: ALLL	80,517	83,369
Loans, net	8,566,473	8,308,142
Interest receivable	46,878	45,323
Premises and equipment, net	167,295	168,788
OREO	1,118	6,019
Goodwill	765,842	765,842
Other intangible assets, net	40,540	45,937
Other assets	337,596	280,250
Total assets	$ 13,090,808	$ 13,095,145
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$ 5,082,219	$ 5,227,216
Interest-bearing	5,129,380	5,230,910
Total deposits	10,211,599	10,458,126
FHLB advances	495,496	399,523
Securities sold under agreements to repurchase	50,226	61,094
Subordinated debentures	35,370	35,462
Other liabilities	164,479	107,291
Total liabilities	10,957,170	11,061,496
Commitments and contingent liabilities (Note 11)		
Shareholders' equity:		

	June 30, 2019	December 31, 2018		
	(in thousands)			
Preferred stock (no par value)				
Authorized shares	2,000	2,000		
Common stock (no par value)				
Authorized shares	115,000	115,000		
Issued	73,548	73,249	1,644,922	1,642,246
Outstanding	72,924	73,249		
Retained earnings			463,429	426,708
Accumulated other comprehensive income (loss)			47,150	(35,305)
Treasury stock at cost	624	—	(21,863)	—
Total shareholders' equity			2,133,638	2,033,649
Total liabilities and shareholders' equity			$ 13,090,808	$ 13,095,145

See accompanying Notes to unaudited Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF INCOME

Columbia Banking System, Inc.
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands except per share amounts)			
Interest Income				
Loans	$ 116,585	$ 105,412	$ 225,001	$ 208,439
Taxable securities	15,918	11,923	33,333	24,631
Tax-exempt securities	2,712	3,063	5,681	6,127
Deposits in banks	207	151	295	496
Total interest income	135,422	120,549	264,310	239,693
Interest Expense				
Deposits	4,976	2,572	9,474	5,081
FHLB advances	4,708	815	7,393	1,385
Subordinated debentures	468	468	936	936
Other borrowings	154	20	369	136
Total interest expense	10,306	3,875	18,172	7,538
Net Interest Income	125,116	116,674	246,138	232,155
Provision for loan and lease losses	218	3,975	1,580	9,827
Net interest income after provision for loan and lease losses	124,898	112,699	244,558	222,328
Noninterest Income				
Deposit account and treasury management fees	9,035	8,683	18,015	17,423
Card revenue	3,763	6,616	7,425	12,429
Financial services and trust revenue	3,425	3,219	6,382	5,949
Loan revenue	3,596	3,054	5,985	6,240
Bank owned life insurance	1,597	1,712	3,116	3,138
Investment securities gains (losses), net	285	(33)	2,132	(11)
Other	3,947	441	4,289	1,667
Total noninterest income	25,648	23,692	47,344	46,835
Noninterest Expense				
Compensation and employee benefits	52,015	48,949	104,100	99,519
Occupancy	8,712	9,276	17,521	19,397
Data processing	4,601	5,221	9,270	10,491
Legal and professional fees	6,554	4,171	11,127	7,408
Amortization of intangibles	2,649	3,088	5,397	6,276
B&O taxes (1)	1,411	1,459	3,287	2,776
Advertising and promotion	870	1,622	1,844	3,051
Regulatory premiums	956	937	1,940	1,874
Net cost (benefit) of operation of OREO	(705)	758	(592)	759
Other (1)	9,665	9,162	17,534	19,079
Total noninterest expense	86,728	84,643	171,428	170,630
Income before income taxes	63,818	51,748	120,474	98,533
Income tax provision	12,094	9,999	22,879	16,814
Net Income	$ 51,724	$ 41,749	$ 97,595	$ 81,719
Earnings per common share				
Basic	$ 0.71	$ 0.57	$ 1.33	$ 1.12
Diluted	$ 0.71	$ 0.57	$ 1.33	$ 1.12
Weighted average number of common shares outstanding	72,451	72,385	72,486	72,343
Weighted average number of diluted common shares outstanding	72,451	72,390	72,487	72,347

(1) Beginning the first quarter of 2019, B&O taxes are reported separately from other taxes, licenses and fees, which are now reported under “other noninterest expense.” Prior periods have been reclassified to conform to current period presentation.

See accompanying Notes to unaudited Consolidated Financial Statements.

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

	Three Months Ended June 30,	
	2019	2018
	(in thousands)	
Net income	$ 51,724	$ 41,749
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 ($11,217) and $2,376	37,029	(7,845)
Reclassification adjustment of net gain from sale of available for sale debt securities included in income, net of tax of $66 and $1	(219)	(4)
Net unrealized gain (loss) from securities, net of reclassification adjustment	36,810	(7,849)
Pension plan liability adjustment:		
Amortization of unrecognized net actuarial loss included in net periodic pension cost, net of tax of ($19) and ($19)	61	61
Pension plan liability adjustment, net	61	61
Unrealized gain from cash flow hedging instruments:		
Net unrealized gain in cash flow hedging instruments arising during the period, net of tax of ($2,191) and $0	7,233	—
Net unrealized gain from cash flow hedging instruments, net of reclassification adjustment	7,233	—
Other comprehensive income (loss)	44,104	(7,788)
Total comprehensive income	$ 95,828	$ 33,961

	Six Months Ended June 30,	
	2019	2018
	(in thousands)	
Net income	$ 97,595	$ 81,719
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 ($21,788) and $10,267	71,926	(33,893)
Reclassification adjustment of net gain from sale of available for sale debt securities included in income, net of tax of $496 and $25	(1,636)	(82)
Net unrealized gain (loss) from securities, net of reclassification adjustment	70,290	(33,975)
Pension plan liability adjustment:		
Amortization of unrecognized net actuarial loss included in net periodic pension cost, net of tax of ($37) and ($38)	122	122
Pension plan liability adjustment, net	122	122
Unrealized gain from cash flow hedging instruments:		
Net unrealized gain in cash flow hedging instruments arising during the period, net of tax of ($3,648) and $0	12,043	—
Net unrealized gain from cash flow hedging instruments, net of reclassification adjustment	12,043	—
Other comprehensive income (loss)	82,455	(33,853)
Total comprehensive income	$ 180,050	$ 47,866

See accompanying Notes to unaudited Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Columbia Banking System, Inc.

(Unaudited)

	Common Stock										
	Shares Outstanding		Amount		Retained Earnings		Accumulated Other Comprehensive Income (Loss)		Treasury Stock		Total Shareholders' Equity
For the Three Months Ended June 30, 2019	*(in thousands except per share amounts)*										
Balance at April 1, 2019	73,565	$	1,642,977	$	442,597	$	3,046	$	—	$	2,088,620
Net income	—		—		51,724		—		—		51,724
Other comprehensive income	—		—		—		44,104		—		44,104
Issuance of common stock - stock option and other plans	2		15		—		—		—		15
Activity in deferred compensation plan	—		1		—		—		—		1
Issuance of common stock - restricted stock awards, net of canceled awards	(10)		2,243		—		—		—		2,243
Purchase and retirement of common stock	(9)		(314)		—		—		—		(314)
Cash dividends declared on common stock ($0.42 per share)	—		—		(30,892)		—		—		(30,892)
Purchase of treasury stock	(624)		—		—		—		(21,863)		(21,863)
Balance at June 30, 2019	72,924	$	1,644,922	$	463,429	$	47,150	$	(21,863)	$	2,133,638
For the Six Months Ended June 30, 2019											
Balance at January 1, 2019	73,249	$	1,642,246	$	426,708	$	(35,305)	$	—	$	2,033,649
Adjustment to opening retained earnings pursuant to adoption of ASU 2016-02	—		—		782		—		—		782
Net income	—		—		97,595		—		—		97,595
Other comprehensive income	—		—		—		82,455		—		82,455
Issuance of common stock - stock option and other plans	27		893		—		—		—		893
Activity in deferred compensation plan	—		1		—		—		—		1
Issuance of common stock - restricted stock awards, net of canceled awards	345		4,528		—		—		—		4,528
Purchase and retirement of common stock	(73)		(2,746)		—		—		—		(2,746)
Cash dividends declared on common stock ($0.84 per share)	—		—		(61,656)		—		—		(61,656)
Purchase of treasury stock	(624)		—		—		—		(21,863)		(21,863)
Balance at June 30, 2019	72,924	$	1,644,922	$	463,429	$	47,150	$	(21,863)	$	2,133,638

See accompanying Notes to unaudited Consolidated Financial Statements.

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

	Common Stock			Accumulated Other Comprehensive Income (Loss)		
	Shares Outstanding	Amount	Retained Earnings		Treasury Stock	Total Shareholders' Equity
For the Three Months Ended June 30, 2018			*(in thousands except per share amounts)*			
Balance at April 1, 2018	73,240	$ 1,634,916	$ 361,140	$ (48,133)	$ —	$ 1,947,923
Adjustment to opening retained earnings pursuant to adoption of ASU 2016-01	—	—	46	—	—	46
Net income	—	—	41,749	—	—	41,749
Other comprehensive loss	—	—	—	(7,788)	—	(7,788)
Issuance of common stock - stock option and other plans	2	17	—	—	—	17
Activity in deferred compensation plan	—	3	—	—	—	3
Issuance of common stock - restricted stock awards, net of canceled awards	5	2,019	—	—	—	2,019
Purchase and retirement of common stock	(2)	(52)	—	—	—	(52)
Cash dividends declared on common stock ($0.26 per share)	—	—	(19,036)	—	—	(19,036)
Balance at June 30, 2018	73,245	$ 1,636,903	$ 383,899	$ (55,921)	$ —	$ 1,964,881
For the Six Months Ended June 30, 2018						
Balance at January 1, 2018	73,020	$ 1,634,705	$ 337,442	$ (22,225)	$ —	$ 1,949,922
Adjustment to opening retained earnings pursuant to adoption of ASU 2016-01	—	—	(157)	157	—	—
Net income	—	—	81,719	—	—	81,719
Other comprehensive loss	—	—	—	(33,853)	—	(33,853)
Issuance of common stock - stock option and other plans	19	736	—	—	—	736
Activity in deferred compensation plan	—	6	—	—	—	6
Issuance of common stock - restricted stock awards, net of canceled awards	268	4,083	—	—	—	4,083
Purchase and retirement of common stock	(62)	(2,627)	—	—	—	(2,627)
Cash dividends declared on common stock ($0.48 per share)	—	—	(35,105)	—	—	(35,105)
Balance at June 30, 2018	73,245	$ 1,636,903	$ 383,899	$ (55,921)	$ —	$ 1,964,881

See accompanying Notes to unaudited Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2019	2018
	(in thousands)	
Cash Flows From Operating Activities		
Net income	$ 97,595	$ 81,719
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan and lease losses	1,580	9,827
Stock-based compensation expense	4,528	4,083
Depreciation, amortization and accretion	17,298	16,788
Investment securities (gain) loss, net	(2,132)	11
Net realized (gain) loss on sale of premises and equipment and loans held for investment	(666)	141
Net realized (gain) loss on sale and valuation adjustments of OREO	(507)	803
Gain on bank owned life insurance death benefit	(2,975)	—
Originations of loans held for sale	(68,722)	(67,311)
Proceeds from sales of loans held for sale	60,382	66,304
Net change in:		
Interest receivable	(1,555)	(2,224)
Interest payable	1,608	(36)
Other assets	(16,484)	6,367
Other liabilities	8,560	(2,017)
Net cash provided by operating activities	98,510	114,455
Cash Flows From Investing Activities		
Loans originated, net of principal collected	(207,641)	(100,485)
Purchases of:		
Debt securities available for sale	(54,405)	(215,612)
Loans held for investment	(49,039)	—
Premises and equipment	(3,540)	(5,011)
FHLB stock	(117,240)	(89,720)
Proceeds from:		
Sales of debt securities available for sale	259,554	32,330
Principal repayments and maturities of debt securities available for sale	182,125	219,683
Sales of premises and equipment and loans held for investment	24	6,236
Redemption of FHLB stock	113,400	86,200
Sales of OREO and OPPO	5,823	5,821
Bank owned life insurance death benefit	—	5,074
Net cash provided by (used in) investing activities	129,061	(55,484)
Cash Flows From Financing Activities		
Net decrease in deposits	(246,404)	(147,891)
Net decrease in sweep repurchase agreements (1)	(10,868)	(7,830)
Proceeds from:		
FHLB advances	2,931,000	2,243,000
FRB borrowings	36,000	10
Other borrowings	100	—
Exercise of stock options	893	736
Payments for:		
Repayment of FHLB advances	(2,835,000)	(2,155,000)
Repayment of FRB borrowings	(36,000)	(10)
Repayment of other borrowings	(100)	—
Repayment of junior subordinated debentures	—	(8,248)
Repayment of term repurchase agreement (1)	—	(25,000)

Common stock dividends	(61,511)	(35,105)
Purchase of treasury stock	(21,863)	—
Purchase and retirement of common stock	(2,746)	(2,627)
Net cash used in financing activities	(246,499)	(137,965)
Decrease in cash and cash equivalents	(18,928)	(78,994)
Cash and cash equivalents at beginning of period	277,587	342,533
Cash and cash equivalents at end of period	$ 258,659	$ 263,539

(1) Revised from amounts previously reported to correct an immaterial misclassification of a $25.0 million repayment of the term repurchase agreement within Net decrease in sweep repurchase agreements for the six months ended June 30, 2018. There were no changes to net cash flows from operating, investing or financing activities as a result of this change.

CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued

Columbia Banking System, Inc.

(Unaudited)

	Six Months Ended June 30,	
	2019	2018
	(in thousands)	
Supplemental Information:		
Interest paid	$ 16,564	$ 7,573
Income taxes paid, net of refunds	$ 20,940	$ 3,621
Non-cash investing and financing activities		
Loans transferred to OREO	$ 386	$ 406
Premises and equipment expenditures incurred but not yet paid	$ 56	$ 40
Change in dividends payable on unvested shares included in other liabilities	$ 145	$ —

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 six months ended June 30, 2019 are not necessarily indicative of results to be anticipated for the year ending December 31, 2019. The accompanying interim unaudited Consolidated Financial Statements should be read in conjunction with the financial statements and related notes contained in the Company's 2018 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 2018 Annual Report on Form 10-K. There have not been any changes in our significant accounting policies compared to those contained in our 2018 Form 10-K disclosure for the year ended December 31, 2018.

Reclassifications

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

2. Accounting Pronouncements Recently Adopted or Issued

Accounting Standards Adopted in 2019

In February 2016, the FASB issued ASU 2016-02, *Leases*. The amendments included in this ASU create a new accounting model for both lessees and lessors. The new guidance requires lessees to recognize lease liabilities, initially measured as the present value of future lease payments, and corresponding right-of-use assets for all leases with lease terms greater than 12 months. The new lease model differs from the old lease accounting model, as the old model does not require such lease liabilities and corresponding right-of-use assets to be recorded for operating leases. The amendments in ASU 2016-02 must be adopted using the modified retrospective approach and will be effective for the first interim or annual period beginning after December 15, 2018. The FASB subsequently issued ASU 2018-11, which allows for an additional (optional) transition method. The Company adopted the new standard effective January 1, 2019 utilizing the transition method allowed under ASU 2018-11 and did not restate comparative periods. The Company elected the package of practical expedients permitted under the transition guidance, which allowed us to carryforward our historical lease classifications and our assessment on whether a contract is or contains a lease. We also elected to keep leases with an initial term of 12 months or less off the balance sheet. The adoption of the new standard resulted in an increase in other assets and an increase in other liabilities of $49.2 million and $48.2 million, respectively. The Company recognized a cumulative effect adjustment of $782 thousand to increase the beginning balance of retained earnings related to previous deferred gains on sale-leaseback transactions.

Recently Issued Accounting Standards, Not Yet Adopted

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. The amendments in this ASU clarify certain aspects of accounting for credit losses, hedging activities, and financial instruments (addressed by ASUs 2016-01, 2016-13, and 2017-12). Many of the amendments reflect decisions reached at FASB meetings or meetings of the Board’s credit losses transition resource group. Topics covered in this ASU include: accrued interest, transfers between classifications or categories for loans and debt securities, recoveries, reinsurance recoverables, projections of interest rate environments for variable-rate financial instruments, costs to sell when foreclosure is probable, consideration of expected prepayments when determining the effective interest rate, vintage disclosures, extension and renewal options, etc. The amendments in ASU 2019-04 are effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. The Company is assessing the impact that this guidance will have on its Consolidated Financial Statements.

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

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

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

3. Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2019		*(in thousands)*		
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 2,099,819	$ 50,980	$ (11,303)	$ 2,139,496
State and municipal securities	503,279	7,459	(1,059)	509,679
U.S. government agency and government-sponsored enterprise securities	212,655	2,527	(188)	214,994
U.S. government securities	250	—	(1)	249
Total	$ 2,816,003	$ 60,966	$ (12,551)	$ 2,864,418
December 31, 2018				
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 2,222,521	$ 9,236	$ (43,467)	$ 2,188,290
State and municipal securities	579,755	2,328	(7,760)	574,323
U.S. government agency and government-sponsored enterprise securities	408,088	1,235	(4,736)	404,587
U.S. government securities	251	—	(3)	248
Total	$ 3,210,615	$ 12,799	$ (55,966)	$ 3,167,448

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
		(in thousands)		
Proceeds from sales of debt securities available for sale	$ 175,586	$ 12,569	$ 259,554	$ 32,330
Gross realized gains from sales of debt securities available for sale	$ 1,510	$ 87	$ 3,357	$ 235
Gross realized losses from sales of debt securities available for sale	(1,225)	(83)	(1,225)	(129)
Other securities losses, net (1)	—	(37)	—	(117)
Investment securities gains, net	$ 285	$ (33)	$ 2,132	$ (11)

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(1) Other securities losses, net includes net unrealized loss activity associated with equity securities for the periods ended June 30, 2018. There were no sales of equity securities during the periods presented.

The scheduled contractual maturities of debt securities available for sale at June 30, 2019 are presented as follows:

	June 30, 2019	
	Amortized Cost	Fair Value
	(in thousands)	
Due within one year	$ 95,802	$ 95,869
Due after one year through five years	438,632	441,541
Due after five years through ten years	1,315,811	1,361,873
Due after ten years	965,758	965,135
Total debt securities available for sale	$ 2,816,003	$ 2,864,418

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

	June 30, 2019
	(in thousands)
Washington and Oregon State to secure public deposits	$ 280,968
FRB to secure borrowings	52,329
Other securities pledged	156,218
Total securities pledged as collateral	$ 489,515

The following table shows the gross unrealized losses and fair value of the Company's debt securities available for sale with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2019 and December 31, 2018:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2019			(in thousands)			
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 1,165	$ (6)	$ 785,380	$ (11,297)	$ 786,545	$ (11,303)
State and municipal securities	8,895	(33)	105,708	(1,026)	114,603	(1,059)
U.S. government agency and government-sponsored enterprise securities	502	—	64,376	(188)	64,878	(188)
U.S. government securities	—	—	249	(1)	249	(1)
Total	$ 10,562	$ (39)	$ 955,713	$ (12,512)	$ 966,275	$ (12,551)
December 31, 2018						
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 154,622	$ (972)	$1,301,387	$ (42,495)	$1,456,009	$ (43,467)
State and municipal securities	106,292	(581)	280,496	(7,179)	386,788	(7,760)
U.S. government agency and government-sponsored enterprise securities	15,392	(45)	291,435	(4,691)	306,827	(4,736)
U.S. government securities	—	—	247	(3)	247	(3)
Total	$ 276,306	$ (1,598)	$1,873,565	$ (54,368)	$2,149,871	$ (55,966)

At June 30, 2019, there were 230 U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations securities in an unrealized loss position, of which 228 were in a continuous loss position for 12 months or more. The decline in fair value is attributable to changes in interest rates relative to where these investments fall within the yield curve and their individual characteristics. Because the Company does not intend to sell these securities nor does the Company consider it more likely than not that it will be required to sell these securities before the recovery of amortized cost basis, which may be upon maturity, the Company does not consider these investments to be other-than-temporarily impaired at June 30, 2019.

At June 30, 2019, there were 134 state and municipal government securities in an unrealized loss position, of which 126 were in a continuous loss position for 12 months or more. The unrealized losses on state and municipal securities were caused by interest rate changes or widening of market spreads subsequent to the purchase of the individual securities. Management monitors published credit ratings of these securities for adverse changes. As of June 30, 2019, none of the rated obligations of state and local government entities held by the Company had a below investment grade credit rating. Because the credit quality of these securities are investment grade and the Company does not intend to sell these securities nor does the Company consider it more likely than not that it will be required to sell these securities before the recovery of amortized cost basis, which may be upon maturity, the Company does not consider these investments to be other-than-temporarily impaired at June 30, 2019.

At June 30, 2019, there were 13 U.S. government agency and government-sponsored enterprise securities in an unrealized loss position, of which 12 were in a continuous loss position for 12 months or more. The decline in fair value is attributable to changes in interest rates relative to where these investments fall within the yield curve and their individual characteristics. Because the Company does not currently intend to sell these securities nor does the Company consider it more likely than not that it will be required to sell these securities before the recovery of amortized cost basis, which may be upon maturity, the Company does not consider these investments to be other-than-temporarily impaired at June 30, 2019.

At June 30, 2019, there was one U.S. government security in an unrealized loss position, which was also in a continuous loss position for more than 12 months. The decline in fair value is attributable to changes in interest rates relative to where this investment falls within the yield curve and its individual characteristics. Because the Company does not currently intend to sell this security nor does the Company consider it more likely than not that it will be required to sell this security before the recovery of amortized cost basis, which may be upon maturity, the Company does not consider this investment to be other-than-temporarily impaired at June 30, 2019.

4. Loans

The Company's loan portfolio includes originated and purchased loans. Originated loans and purchased loans for which there was no evidence of credit deterioration at their acquisition date and it was probable that we would be able to collect all contractually required payments are referred to collectively as loans, excluding PCI loans. Purchased loans for which there was, at acquisition date, evidence of credit deterioration since their origination and it was probable that we would be unable to collect all contractually required payments are referred to as PCI loans.

The following is an analysis of the loan portfolio by segment (net of unearned income):

	June 30, 2019			December 31, 2018		
	Loans, excluding PCI loans	PCI Loans	Total	Loans, excluding PCI loans	PCI Loans	Total
	(in thousands)					
Commercial business	$ 3,644,051	$ 9,330	$3,653,381	$ 3,438,422	$ 9,240	$ 3,447,662
Real estate:						
One-to-four family residential	279,091	7,557	286,648	238,367	8,017	246,384
Commercial and multifamily residential	3,913,546	58,518	3,972,064	3,846,027	62,910	3,908,937
Total real estate	4,192,637	66,075	4,258,712	4,084,394	70,927	4,155,321
Real estate construction:						
One-to-four family residential	201,783	143	201,926	217,790	153	217,943
Commercial and multifamily residential	255,452	498	255,950	284,394	534	284,928
Total real estate construction	457,235	641	457,876	502,184	687	502,871
Consumer	305,752	8,684	314,436	318,945	8,906	327,851
Less: Net unearned income	(37,415)	—	(37,415)	(42,194)	—	(42,194)
Total loans, net of unearned income	8,562,260	84,730	8,646,990	8,301,751	89,760	8,391,511
Less: ALLL	(77,248)	(3,269)	(80,517)	(79,758)	(3,611)	(83,369)
Total loans, net	$ 8,485,012	$ 81,461	$8,566,473	$ 8,221,993	$ 86,149	$ 8,308,142
Loans held for sale	$ 12,189	$ —	$ 12,189	$ 3,849	$ —	$ 3,849

At June 30, 2019 and December 31, 2018, 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 June 30, 2019 and December 31, 2018, $3.25 billion and $3.22 billion of commercial and residential real estate loans were pledged as collateral on FHLB borrowings and additional borrowing capacity. The Company has also pledged $85.0 million and $82.0 million of commercial loans to the FRB for additional borrowing capacity at June 30, 2019 and December 31, 2018, respectively.

The following is an analysis of nonaccrual loans as of June 30, 2019 and December 31, 2018:

	June 30, 2019		December 31, 2018	
	Recorded Investment Nonaccrual Loans	Unpaid Principal Balance Nonaccrual Loans	Recorded Investment Nonaccrual Loans	Unpaid Principal Balance Nonaccrual Loans
	(in thousands)			
Commercial business:				
Secured	$ 23,982	$ 32,851	$ 35,504	$ 45,072
Unsecured	15	15	9	9
Real estate:				
One-to-four family residential	860	888	1,158	1,178
Commercial & multifamily residential:				
Commercial land	2,565	2,573	2,261	2,270
Income property	1,814	1,851	2,721	3,062
Owner occupied	7,464	7,601	9,922	10,300
Real estate construction:				
One-to-four family residential:				
Land and acquisition	—	—	318	318
Consumer	2,338	2,661	2,949	3,149
Total	$ 39,038	$ 48,440	$ 54,842	$ 65,358

Loans, excluding PCI loans

The following is an aging of the recorded investment of the loan portfolio as of June 30, 2019 and December 31, 2018:

June 30, 2019	Current Loans	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Nonaccrual Loans	Total Loans
				(in thousands)			
Commercial business:							
Secured	$ 3,471,016	$ 4,103	$ 3,294	$ —	$ 7,397	$ 23,982	$ 3,502,395
Unsecured	128,865	438	—	—	438	15	129,318
Real estate:							
One-to-four family residential	274,537	2,969	352	—	3,321	860	278,718
Commercial & multifamily residential:							
Commercial land	289,574	—	—	—	—	2,565	292,139
Income property	1,946,429	1,022	—	—	1,022	1,814	1,949,265
Owner occupied	1,640,358	2,981	511	—	3,492	7,464	1,651,314
Real estate construction:							
One-to-four family residential:							
Land and acquisition	1,683	—	—	—	—	—	1,683
Residential construction	199,154	—	—	—	—	—	199,154
Commercial & multifamily residential:							
Income property	163,074	—	—	—	—	—	163,074
Owner occupied	87,561	—	2,204	—	2,204	—	89,765
Consumer	302,323	604	170	—	774	2,338	305,435
Total	$ 8,504,574	$ 12,117	$ 6,531	$ —	$ 18,648	$ 39,038	$ 8,562,260

December 31, 2018	Current Loans	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Nonaccrual Loans	Total Loans
				(in thousands)			
Commercial business:							
Secured	$ 3,267,709	$ 5,864	$ 3,624	$ —	$ 9,488	$ 35,504	$ 3,312,701
Unsecured	111,868	240	—	—	240	9	112,117
Real estate:							
One-to-four family residential	233,941	694	233	—	927	1,158	236,026
Commercial & multifamily residential:							
Commercial land	283,416	—	—	—	—	2,261	285,677
Income property	1,910,505	5,009	2,241	—	7,250	2,721	1,920,476
Owner occupied	1,606,085	1,744	—	—	1,744	9,922	1,617,751
Real estate construction:							
One-to-four family residential:							
Land and acquisition	4,099	—	—	—	—	318	4,417
Residential construction	212,303	93	—	—	93	—	212,396
Commercial & multifamily residential:							
Income property	194,912	—	—	—	—	—	194,912
Owner occupied	79,805	7,258	—	—	7,258	—	87,063
Consumer	314,008	1,057	201	—	1,258	2,949	318,215
Total	$ 8,218,651	$ 21,959	$ 6,299	$ —	$ 28,258	$ 54,842	$ 8,301,751

The following is an analysis of impaired loans as of June 30, 2019 and December 31, 2018:

	Recorded Investment of Loans Collectively Measured for Contingency Provision	Recorded Investment of Loans Individually Measured for Specific Impairment	Impaired Loans With Recorded Allowance			Impaired Loans Without Recorded Allowance	
			Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance
June 30, 2019	*(in thousands)*						
Commercial business:							
Secured	$ 3,485,136	$ 17,259	$ 4,432	$ 5,661	$ 740	$ 12,827	$ 16,997
Unsecured	129,302	16	16	16	—	—	—
Real estate:							
One-to-four family residential	277,873	845	315	596	6	530	755
Commercial & multifamily residential:							
Commercial land	289,277	2,862	2,233	2,241	666	629	667
Income property	1,947,936	1,329	—	—	—	1,329	1,362
Owner occupied	1,641,023	10,291	3,129	4,614	43	7,162	7,272
Real estate construction:							
One-to-four family residential:							
Land and acquisition	1,683	—	—	—	—	—	—
Residential construction	199,154	—	—	—	—	—	—
Commercial & multifamily residential:							
Income property	163,074	—	—	—	—	—	—
Owner occupied	89,765	—	—	—	—	—	—
Consumer	301,978	3,457	1,141	1,275	20	2,316	2,460
Total	$ 8,526,201	$ 36,059	$ 11,266	$ 14,403	$ 1,475	$ 24,793	$ 29,513

	Recorded Investment of Loans Collectively Measured for Contingency Provision	Recorded Investment of Loans Individually Measured for Specific Impairment	Impaired Loans With Recorded Allowance			Impaired Loans Without Recorded Allowance	
			Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance
December 31, 2018	*(in thousands)*						
Commercial business:							
Secured	$ 3,286,416	$ 26,285	$ 6,350	$ 8,460	$ 2,023	$ 19,935	$ 24,404
Unsecured	112,097	20	20	20	—	—	—
Real estate:							
One-to-four family residential	235,138	888	325	798	8	563	575
Commercial & multifamily residential:							
Commercial land	283,451	2,226	—	—	—	2,226	2,272
Income property	1,917,522	2,954	99	165	1	2,855	3,011
Owner occupied	1,605,042	12,709	3,231	4,666	69	9,478	9,750
Real estate construction:							
One-to-four family residential:							
Land and acquisition	4,417	—	—	—	—	—	—
Residential construction	212,396	—	—	—	—	—	—
Commercial & multifamily residential:							
Income property	194,912	—	—	—	—	—	—
Owner occupied	87,063	—	—	—	—	—	—
Consumer	314,193	4,022	3,326	3,584	31	696	704
Total	$ 8,252,647	$ 49,104	$ 13,351	$ 17,693	$ 2,132	$ 35,753	$ 40,716

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019		2018		2019		2018	
	Average Recorded Investment Impaired Loans	Interest Recognized on Impaired Loans	Average Recorded Investment Impaired Loans	Interest Recognized on Impaired Loans	Average Recorded Investment Impaired Loans	Interest Recognized on Impaired Loans	Average Recorded Investment Impaired Loans	Interest Recognized on Impaired Loans
	(in thousands)							
Commercial business:								
Secured	$ 23,733	$ 18	$ 45,716	$ 85	$ 24,584	$ 29	$ 43,815	$ 97
Unsecured	18	—	444	1	18	1	304	1
Real estate:								
One-to-four family residential	855	12	780	12	866	18	818	18
Commercial & multifamily residential:								
Commercial land	2,864	8	2,557	—	2,651	15	2,467	—
Income property	1,325	—	2,846	32	1,868	—	3,572	62
Owner occupied	13,421	147	8,768	124	13,184	193	8,741	209
Real estate construction:								
One-to-four family residential:								
Residential construction	—	—	605	—	—	—	807	—
Commercial & multifamily residential:								
Owner occupied	—	—	4,050	51	—	—	4,050	102
Consumer	3,456	21	6,391	34	3,644	37	6,599	77
Total	$ 45,672	$ 206	$ 72,157	$ 339	$ 46,815	$ 293	$ 71,173	$ 566

The following is an analysis of loans classified as TDR during the three and six months ended June 30, 2019 and 2018:

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
	Number of TDR Modifications	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of TDR Modifications	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(dollars in thousands)					
Commercial business:						
Secured	3	$ 918	$ 918	7	$ 2,644	$ 2,644
Consumer	4	118	118	8	1,274	1,274
Total	7	$ 1,036	$ 1,036	15	$ 3,918	$ 3,918

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018		
	Number of TDR Modifications	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of TDR Modifications	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(dollars in thousands)					
Commercial business:						
Secured	5	$ 1,534	$ 1,534	8	$ 3,094	$ 3,094
Real estate:						
Commercial and multifamily residential:						
Income property	1	217	217	1	891	891
Consumer	4	118	118	15	2,417	2,417
Total	10	$ 1,869	$ 1,869	24	$ 6,402	$ 6,402

The Company's loans classified as TDR are loans that have been modified or the borrower has been granted special concessions due to financial difficulties that, if not for the challenges of the borrower, the Company would not otherwise consider. The TDR modifications or concessions are made to increase the likelihood that these borrowers with financial difficulties will be able to satisfy their debt obligations as amended. The concessions granted in the restructurings, summarized in the table above, largely consisted of maturity extensions, interest rate modifications or a combination of both. In limited circumstances, a reduction in the principal balance of the loan could also be made as a concession. Credit losses for loans classified as TDR are measured on the same basis as impaired loans. For impaired loans, an allowance is established when the collateral value less selling costs (or discounted cash flows or observable market price) of the impaired loan is lower than the recorded investment of that loan.

The Company had commitments to lend $464 thousand of additional funds on loans classified as TDR as of June 30, 2019. The Company had $2.1 million of such commitments at December 31, 2018. The Company did not have any loans modified as TDR that defaulted within 12 months of being modified as TDR during the three months ended June 30, 2019. The Company did have one $26 thousand consumer loan that defaulted within 12 months of being modified as a TDR during the six months ended June 30, 2019. The defaulted TDR loan is collateralized and was included with the loans individually measured for specific impairment. The Company did not experience any similar defaults during the three and six months ended June 30, 2018.

PCI Loans

PCI loans are accounted for under ASC 310-30 and initially measured at fair value based on expected future cash flows over the life of the loans. Loans that have common risk characteristics are aggregated into pools. The Company remeasures contractual and expected cash flows, at the pool-level, on a quarterly basis.

Contractual cash flows are calculated based upon the loan pool terms after applying a prepayment factor. Calculation of the applied prepayment factor for contractual cash flows is the same as described below for expected cash flows.

Inputs to the determination of expected cash flows include cumulative default and prepayment data as well as loss severity and recovery lag information. Cumulative default and prepayment data are calculated via a transition matrix, which utilizes probability values of a loan pool transitioning into a particular delinquency state (e.g. 0-30 days past due, 31 to 60 days, etc.) given its delinquency state at the remeasurement date. Loss severity factors are based upon either actual charge-off data within the loan pools or industry averages, and recovery lags are based upon the collateral within the loan pools.

The excess of cash flows, expected to be collected over the initial fair value of PCI loans, is referred to as the accretable yield and is accreted into interest income over the estimated life of the acquired loans using the effective yield method. Other adjustments to the accretable yield include changes in the estimated remaining life of the acquired loans, changes in expected cash flows and changes of indices for acquired loans with variable interest rates.

The following is an analysis of our PCI loans, net of related ALLL and remaining valuation discounts as of June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
	(in thousands)	
Commercial business	$ 9,578	$ 9,672
Real estate:		
One-to-four family residential	9,019	9,848
Commercial and multifamily residential	61,372	66,340
Total real estate	70,391	76,188
Real estate construction:		
One-to-four family residential	143	153
Commercial and multifamily residential	474	507
Total real estate construction	617	660
Consumer	9,402	9,765
Subtotal of PCI loans	89,988	96,285
Less:		
Valuation discount resulting from acquisition accounting	5,258	6,525
ALLL	3,269	3,611
PCI loans, net of valuation discounts and allowance for loan losses	$ 81,461	$ 86,149

The following table shows the changes in accretable yield for PCI loans for the three and six months ended June 30, 2019 and 2018:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Balance at beginning of period	$ 21,849	$ 29,355	$ 21,949	$ 31,176
Accretion	(1,999)	(1,937)	(3,576)	(4,202)
Disposals	3	(7)	106	(166)
Reclassifications to (from) nonaccretable difference	1,136	(2,061)	2,510	(1,458)
Balance at end of period	$ 20,989	$ 25,350	$ 20,989	$ 25,350

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

We record an ALLL to recognize management's estimate of credit losses incurred in the loan portfolio at each balance sheet date. We have used the same methodology for the ALLL calculation during the six months ended June 30, 2019 and 2018.

The following tables show a detailed analysis of the ALLL for the three and six months ended June 30, 2019 and 2018:

	Beginning Balance	Charge-offs	Recoveries	Provision (Recapture)	Ending Balance	Specific Reserve	General Allocation
Three Months Ended June 30, 2019				*(in thousands)*			
Commercial business:							
Secured	$ 43,617	$ (4,103)	$ 515	$ (2,167)	$ 37,862	$ 740	$ 37,122
Unsecured	2,495	(15)	32	498	3,010	—	3,010
Real estate:							
One-to-four family residential	616	—	20	9	645	6	639
Commercial & multifamily residential:							
Commercial land	4,588	—	7	814	5,409	666	4,743
Income property	5,018	—	25	282	5,325	—	5,325
Owner occupied	4,966	—	1	263	5,230	43	5,187
Real estate construction:							
One-to-four family residential:							
Land and acquisition	407	—	72	(326)	153	—	153
Residential construction	5,466	—	589	48	6,103	—	6,103
Commercial & multifamily residential:							
Income property	4,517	—	1	(320)	4,198	—	4,198
Owner occupied	2,220	—	—	192	2,412	—	2,412
Consumer	5,545	(354)	178	(175)	5,194	20	5,174
PCI	3,245	(815)	872	(33)	3,269	—	3,269
Unallocated	574	—	—	1,133	1,707	—	1,707
Total	$ 83,274	$ (5,287)	$ 2,312	$ 218	$ 80,517	$ 1,475	$ 79,042

	Beginning Balance	Charge-offs	Recoveries	Provision (Recapture)	Ending Balance	Specific Reserve	General Allocation
Six Months Ended June 30, 2019				*(in thousands)*			
Commercial business:							
Secured	$ 43,188	$ (5,352)	$ 838	$ (812)	$ 37,862	$ 740	$ 37,122
Unsecured	2,626	(15)	189	210	3,010	—	3,010
Real estate:							
One-to-four family residential	593	(2)	37	17	645	6	639
Commercial & multifamily residential:							
Commercial land	3,947	—	14	1,448	5,409	666	4,743
Income property	4,044	—	48	1,233	5,325	—	5,325
Owner occupied	4,533	—	2	695	5,230	43	5,187
Real estate construction:							
One-to-four family residential:							
Land and acquisition	549	—	131	(527)	153	—	153
Residential construction	5,536	(170)	590	147	6,103	—	6,103
Commercial & multifamily residential:							
Income property	5,784	—	1	(1,587)	4,198	—	4,198
Owner occupied	2,604	—	—	(192)	2,412	—	2,412
Consumer	5,301	(832)	416	309	5,194	20	5,174
PCI	3,611	(1,904)	1,577	(15)	3,269	—	3,269
Unallocated	1,053	—	—	654	1,707	—	1,707
Total	$ 83,369	$ (8,275)	$ 3,843	$ 1,580	$ 80,517	$ 1,475	$ 79,042

Three Months Ended June 30, 2018	Beginning Balance	Charge-offs	Recoveries	Provision (Recapture)	Ending Balance	Specific Reserve	General Allocation
				(in thousands)			
Commercial business:							
Secured	$ 37,331	$ (5,751)	$ 1,487	$ 7,283	$ 40,350	$ 67	$ 40,283
Unsecured	2,595	(24)	56	(184)	2,443	—	2,443
Real estate:							
One-to-four family residential	558	—	196	(293)	461	8	453
Commercial & multifamily residential:							
Commercial land	3,745	—	78	(545)	3,278	—	3,278
Income property	4,702	—	558	(1,158)	4,102	—	4,102
Owner occupied	4,749	—	4	(397)	4,356	86	4,270
Real estate construction:							
One-to-four family residential:							
Land and acquisition	912	—	12	(76)	848	—	848
Residential construction	4,636	—	2	(66)	4,572	—	4,572
Commercial & multifamily residential:							
Income property	7,474	—	—	(107)	7,367	—	7,367
Owner occupied	1,923	—	—	376	2,299	—	2,299
Consumer	5,216	(232)	270	38	5,292	95	5,197
PCI	5,665	(1,235)	927	(575)	4,782	—	4,782
Unallocated	321	—	—	(321)	—	—	—
Total	$ 79,827	$ (7,242)	$ 3,590	$ 3,975	$ 80,150	$ 256	$ 79,894

Six Months Ended June 30, 2018	Beginning Balance	Charge-offs	Recoveries	Provision (Recapture)	Ending Balance	Specific Reserve	General Allocation
				(in thousands)			
Commercial business:							
Secured	$ 29,341	$ (8,165)	$ 2,040	$ 17,134	$ 40,350	$ 67	$ 40,283
Unsecured	2,000	(87)	305	225	2,443	—	2,443
Real estate:							
One-to-four family residential	701	—	368	(608)	461	8	453
Commercial & multifamily residential:							
Commercial land	4,265	—	84	(1,071)	3,278	—	3,278
Income property	5,672	(223)	699	(2,046)	4,102	—	4,102
Owner occupied	5,459	—	16	(1,119)	4,356	86	4,270
Real estate construction:							
One-to-four family residential:							
Land and acquisition	963	—	28	(143)	848	—	848
Residential construction	3,709	—	5	858	4,572	—	4,572
Commercial & multifamily residential:							
Income property	7,053	—	—	314	7,367	—	7,367
Owner occupied	4,413	—	—	(2,114)	2,299	—	2,299
Consumer	5,163	(496)	530	95	5,292	95	5,197
PCI	6,907	(2,578)	2,151	(1,698)	4,782	—	4,782
Unallocated	—	—	—	—	—	—	—
Total	$ 75,646	$ (11,549)	$ 6,226	$ 9,827	$ 80,150	$ 256	$ 79,894

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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Balance at beginning of period	$ 3,780	$ 4,330	$ 4,330	$ 3,130
Net changes in the allowance for unfunded commitments and letters of credit	200	(650)	(350)	550
Balance at end of period	$ 3,980	$ 3,680	$ 3,980	$ 3,680

Risk Elements

The extension of credit in the form of loans or other credit products to individuals and businesses is one of our principal business activities. Our policies and applicable laws and regulations require risk analysis as well as ongoing portfolio and credit management. We manage our credit risk through lending limit constraints, credit review, approval policies and extensive, ongoing internal monitoring. We also manage credit risk through diversification of the loan portfolio by type of loan, type of industry and type of borrower and by limiting the aggregation of debt to a single borrower.

Risk ratings are reviewed and updated whenever appropriate, with more periodic reviews as the risk and dollar value of loss on the loan increases. In the event full collection of principal and interest is not reasonably assured, the loan is appropriately downgraded and, if warranted, placed on nonaccrual status even though the loan may be current as to principal and interest payments. Additionally, we assess whether an impairment of a loan warrants specific reserves or a write-down of the loan.

Pass rated loans are generally considered to have sufficient sources of repayment in order to repay the loan in full in accordance with all terms and conditions. Special Mention rated loans have potential weaknesses that, if left uncorrected, may result in deterioration of the repayment prospects for the asset or in the Company's credit position at some future date. Loans with a risk rating of Substandard or worse are reviewed to assess the ability of our borrowers to service all interest and principal obligations and, as a result, the risk rating 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 uncollectable and when identified, are charged off.

The following is an analysis of the credit quality of our loan portfolio, excluding PCI loans, as of June 30, 2019 and December 31, 2018:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
June 30, 2019			*(in thousands)*			
Loans, excluding PCI loans:						
Commercial business:						
Secured	$ 3,371,298	$ 35,506	$ 95,591	$ —	$ —	$ 3,502,395
Unsecured	129,098	—	220	—	—	129,318
Real estate:						
One-to-four family residential	277,407	—	1,311	—	—	278,718
Commercial and multifamily residential:						
Commercial land	277,564	2,426	12,149	—	—	292,139
Income property	1,904,020	547	44,698	—	—	1,949,265
Owner occupied	1,590,785	10,100	50,429	—	—	1,651,314
Real estate construction:						
One-to-four family residential:						
Land and acquisition	1,683	—	—	—	—	1,683
Residential construction	199,154	—	—	—	—	199,154
Commercial and multifamily residential:						
Income property	163,074	—	—	—	—	163,074
Owner occupied	88,917	—	848	—	—	89,765
Consumer	301,826	—	3,609	—	—	305,435
Total	$ 8,304,826	$ 48,579	$ 208,855	$ —	$ —	8,562,260
Less:						
ALLL						77,248
Loans, excluding PCI loans, net						$ 8,485,012

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
December 31, 2018			*(in thousands)*			
Loans, excluding PCI loans:						
Commercial business:						
Secured	$ 3,160,910	$ 48,779	$ 103,007	$ 5	$ —	$ 3,312,701
Unsecured	112,091	21	—	5	—	112,117
Real estate:						
One-to-four family residential	234,416	—	1,610	—	—	236,026
Commercial and multifamily residential:						
Commercial land	276,348	5,082	4,247	—	—	285,677
Income property	1,876,925	36,998	6,553	—	—	1,920,476
Owner occupied	1,556,852	14,964	45,935	—	—	1,617,751
Real estate construction:						
One-to-four family residential:						
Land and acquisition	4,099	—	318	—	—	4,417
Residential construction	212,225	—	171	—	—	212,396
Commercial and multifamily residential:						
Income property	194,912	—	—	—	—	194,912
Owner occupied	87,063	—	—	—	—	87,063
Consumer	313,817	—	4,398	—	—	318,215
Total	$ 8,029,658	$ 105,844	$ 166,239	$ 10	$ —	8,301,751
Less:						
ALLL						79,758
Loans, excluding PCI loans, net						$ 8,221,993

The following is an analysis of the credit quality of our PCI loan portfolio as of June 30, 2019 and December 31, 2018:

	Pass		Special Mention		Substandard		Doubtful		Loss		Total
June 30, 2019					*(in thousands)*						
PCI loans:											
Commercial business:											
Secured	$	6,910	$	964	$	767	$	—	$	—	$ 8,641
Unsecured		937		—		—		—		—	937
Real estate:											
One-to-four family residential		8,340		—		679		—		—	9,019
Commercial and multifamily residential:											
Commercial land		9,012		646		72		—		—	9,730
Income property		18,294		—		—		—		—	18,294
Owner occupied		26,985		—		6,363		—		—	33,348
Real estate construction:											
One-to-four family residential:											
Land and acquisition		143		—		—		—		—	143
Residential construction		—		—		—		—		—	—
Commercial and multifamily residential:											
Income property		474		—		—		—		—	474
Owner occupied		—		—		—		—		—	—
Consumer		9,024		—		378		—		—	9,402
Total	$	80,119	$	1,610	$	8,259	$	—	$	—	89,988
Less:											
Valuation discount resulting from acquisition accounting											5,258
ALLL											3,269
PCI loans, net											$ 81,461

	Pass		Special Mention		Substandard		Doubtful		Loss		Total
December 31, 2018					*(in thousands)*						
PCI loans:											
Commercial business:											
Secured	$	8,041	$	—	$	840	$	—	$	—	$ 8,881
Unsecured		692		—		99		—		—	791
Real estate:											
One-to-four family residential		9,633		—		215		—		—	9,848
Commercial and multifamily residential:											
Commercial land		10,363		—		—		—		—	10,363
Income property		19,680		—		—		—		—	19,680
Owner occupied		35,944		—		353		—		—	36,297
Real estate construction:											
One-to-four family residential:											
Land and acquisition		151		—		2		—		—	153
Commercial and multifamily residential:											
Income property		507		—		—		—		—	507
Consumer		9,326		—		439		—		—	9,765
Total	$	94,337	$	—	$	1,948	$	—	$	—	96,285
Less:											
Valuation discount resulting from acquisition accounting											6,525
ALLL											3,611
PCI loans, net											$ 86,149

6. Other Real Estate Owned

The following tables set forth activity in OREO for the three and six months ended June 30, 2019 and 2018:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Balance, beginning of period	$ 6,075	$ 11,507	$ 6,019	$ 13,298
Transfers in	—	—	386	406
Valuation adjustments	—	(110)	(195)	(202)
Proceeds from sale of OREO property	(5,673)	(3,759)	(5,794)	(5,821)
Gain (loss) on sale of OREO, net	716	(558)	702	(601)
Balance, end of period	$ 1,118	$ 7,080	$ 1,118	$ 7,080

At June 30, 2019, there were $311 thousand in foreclosed residential real estate properties held as OREO and the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings were in process was $586 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 CDI is evaluated for impairment if events and circumstances indicate a possible impairment. The CDI is amortized on an accelerated basis over an estimated life of 10 years.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Goodwill				
Total goodwill	$ 765,842	$ 765,842	$ 765,842	$ 765,842
Other intangible assets, net				
CDI:				
Gross CDI balance at beginning of period	105,473	105,473	105,473	105,473
Accumulated amortization at beginning of period	(63,203)	(51,407)	(60,455)	(48,219)
CDI, net at beginning of period	42,270	54,066	45,018	57,254
CDI current period amortization	(2,649)	(3,088)	(5,397)	(6,276)
Total CDI, net at end of period	39,621	50,978	39,621	50,978
Intangible assets not subject to amortization	919	919	919	919
Other intangible assets, net at end of period	40,540	51,897	40,540	51,897
Total goodwill and other intangible assets at end of period	$ 806,382	$ 817,739	$ 806,382	$ 817,739

The following table provides the estimated future amortization expense of our CDI for the remaining six months ending December 31, 2019 and the succeeding four years:

	Year ending December 31,	
	(in thousands)	
2019	$	5,082
2020		8,724
2021		7,264
2022		5,880
2023		4,552

8. Leases

The Company's lease commitments consist primarily of leased locations under various non-cancellable operating leases that expire between 2019 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.

The following table shows the details of the Company's operating lease right-of-use asset and the associated lease liability for the period indicated:

Item	Balance Sheet Location	June 30, 2019	
		(in thousands)	
Operating lease asset	Other assets	$	47,875
Operating lease liability	Other liabilities	$	53,875

At June 30, 2019, the Company's operating leases have a weighted-average remaining lease term of 7.7 years and a weighted average discount rate of 3.2%. Cash paid for amounts included in the measurement of operating lease liabilities was $5.6 million for the six months ended June 30, 2019. Right-of-use assets obtained in exchange for new operating lease liabilities during the six months ended June 30, 2019 was $3.6 million.

The following table shows the components of net lease costs:

		Three Months Ended June 30,		Six Months Ended June 30,	
Item	Statement of Income Location	2019		2019	
		(in thousands)			
Operating lease cost (1)	Occupancy	$	2,765	$	5,585
Variable lease cost	Occupancy		517		1,023
Sublease income	Occupancy		(306)		(621)
Net lease cost		$	2,976	$	5,987

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(1) Includes short-term lease costs, which are immaterial.

The following table shows future minimum payments for operating leases for the remaining six months of 2019 and subsequent years:

	Year ending December 31,
	(in thousands)
2019	$ 5,494
2020	10,244
2021	9,223
2022	8,611
2023	7,332
Thereafter	20,448
Total future minimum lease payments	61,352
Amounts representing interest	(7,477)
Present value of minimum lease payments	$ 53,875

Future minimum lease payments for the Company's operating leases as of December 31, 2018, prior to the adoption of the new lease guidance were as follows:

	Year Ending December 31,
	(in thousands)
2019	$ 10,947
2020	9,766
2021	8,729
2022	8,102
2023	6,796
Thereafter	18,703
Total minimum payments	$ 63,043

9. Revolving Line of Credit

During the second quarter of 2019, the Company entered into a $30.0 million short-term credit facility with an unaffiliated bank that matures in May 2020. This facility has a variable interest rate and provides the Company additional liquidity, if needed, for various corporate activities including the repurchase of Columbia Banking System, Inc. common stock. As of June 30, 2019 and December 31, 2018, there was no outstanding balance. 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 June 30, 2019.

10. 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 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 value of which are determined by interest rates. 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 uses interest rate collars 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 are 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 will be 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 $2.1 million reclassified as an increase to interest income.

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 June 30, 2019 and December 31, 2018 was $373.0 million and $366.7 million, respectively. During the three and six months ended June 30, 2019, there was $2 thousand mark-to-market loss recorded to "Other" noninterest expense. During the three and six months ended June 30, 2018, mark-to-market gains of $2 thousand and $8 thousand, respectively, were recorded to "Other" noninterest expense.

The following table presents the fair value of derivatives, as well as their classification on the Balance Sheet at June 30, 2019 and December 31, 2018:

	Asset Derivatives				Liability Derivatives			
	June 30, 2019		December 31, 2018		June 30, 2019		December 31, 2018	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
				(in thousands)				
Derivatives designated as hedging instruments:								
Interest rate collar	Other assets	$ 15,691	Other assets	$ —	Other liabilities	$ —	Other liabilities	$ —
Derivatives not designated as hedging instruments:								
Interest rate swap contracts	Other assets	$ 17,857	Other assets	$ 7,033	Other liabilities	$ 17,858	Other liabilities	$ 7,033

The table below presents the effect of cash flow hedge accounting on accumulated other comprehensive income (loss) at June 30, 2019 and 2018:

	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 June 30,			Three Months Ended June 30,	
	2019	2018		2019	2018
			(in thousands)		
Interest rate collar	$ 9,423	$ —	Interest income	$ —	$ —
	Six Months Ended June 30,			Six Months Ended June 30,	
	2019	2018		2019	2018
Interest rate collar	$ 15,691	$ —	Interest income	$ —	$ —

The notional amount of the interest rate collar was $500.0 million at June 30, 2019. We recorded no income statement impact for the interest rate collar for the three or six months ended June 30, 2019 and 2018.

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 overcollateralization are not shown.

	Gross Amounts of Recognized Assets/Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets/Liabilities Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets	
				Collateral Pledged/Received	Net Amount
June 30, 2019			*(in thousands)*		
Assets					
Interest rate swap contracts	$ 17,857	$ —	$ 17,857	$ —	$ 17,857
Interest rate collar	$ 15,691	$ —	$ 15,691	$ (15,691)	—
Liabilities					
Interest rate swap contracts	$ 17,858	$ —	$ 17,858	$ (17,858)	$ —
Repurchase agreements	$ 50,226	$ —	$ 50,226	$ (50,226)	$ —
December 31, 2018					
Assets					
Interest rate swap contracts	$ 7,033	$ —	$ 7,033	$ —	$ 7,033
Liabilities					
Interest rate swap contracts	$ 7,033	$ —	$ 7,033	$ (3,235)	$ 3,798
Repurchase agreements	$ 61,094	$ —	$ 61,094	$ (61,094)	$ —

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
June 30, 2019			*(in thousands)*		
Class of collateral pledged for repurchase agreements					
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 50,226	$ —	$ —	$ —	$ 50,226
Gross amount of recognized liabilities for repurchase agreements					50,226
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 $50.2 million sweep repurchase agreements, which mature on an overnight basis, is monitored on a daily basis as the underlying sweep accounts can have frequent transaction activity and the amount of pledged collateral is adjusted as necessary.

11. Commitments and Contingent Liabilities

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 June 30, 2019 and December 31, 2018, the Company's loan commitments amounted to $2.59 billion and $2.62 billion, respectively.

Standby letters of credit commit the Company to make payments on behalf of customers under specified conditions. Historically, no significant losses have been incurred by the Company under standby letters of credit. Both arrangements have credit risk essentially the same as that involved in extending loans to customers and are subject to the Company's normal credit policies, including collateral requirements, where appropriate. Standby letters of credit were $35.1 million and $28.3 million at June 30, 2019 and December 31, 2018, respectively. In addition, there were $286 thousand commitments under commercial letters of credit used to facilitate customers' trade transactions and other off-balance sheet liabilities at June 30, 2019 and none at December 31, 2018, respectively.

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

12. Shareholders' Equity

Dividends:

The following table summarizes year-to-date dividend activity as of June 30, 2019:

Declared	Regular Cash Dividends Per Common Share	Special Cash Dividends Per Common Share	Record Date	Paid Date
January 24, 2019	$ 0.28	$ 0.14	February 6, 2019	February 20, 2019
April 25, 2019	$ 0.28	$ 0.14	May 8, 2019	May 22, 2019

Subsequent to quarter end, on July 25, 2019, the Company declared a regular quarterly cash dividend of $0.28 per common share payable on August 21, 2019 to shareholders of record at the close of business on August 7, 2019.

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 and six months ended June 30, 2019, the Company repurchased 624,158 shares of common stock at an average price of $35.03 per share. As of June 30, 2019, there are 2,275,842 remaining shares authorized to be repurchased under the current Board approved share repurchase program.

13. Accumulated Other Comprehensive Income

The following table shows changes in accumulated other comprehensive income (loss) by component for the three and six month periods ended June 30, 2019 and 2018:

	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)
		(in thousands)		
Three Months Ended June 30, 2019				
Beginning balance	$ 352	$ (2,116)	$ 4,810	$ 3,046
Other comprehensive income before reclassifications	37,029	—	7,233	44,262
Amounts reclassified from accumulated other comprehensive income (2)	(219)	61	—	(158)
Net current-period other comprehensive income	36,810	61	7,233	44,104
Ending balance	$ 37,162	$ (2,055)	$ 12,043	$ 47,150
Three Months Ended June 30, 2018				
Beginning balance	$ (45,748)	$ (2,385)	$ —	$ (48,133)
Other comprehensive loss before reclassifications	(7,845)	—	—	(7,845)
Amounts reclassified from accumulated other comprehensive loss (2)	(4)	61	—	57
Net current-period other comprehensive income (loss)	(7,849)	61	—	(7,788)
Ending balance	$ (53,597)	$ (2,324)	$ —	$ (55,921)
Six Months Ended June 30, 2019				
Beginning balance	$ (33,128)	$ (2,177)	$ —	$ (35,305)
Other comprehensive income before reclassifications	71,926	—	12,043	83,969
Amounts reclassified from accumulated other comprehensive loss (2)	(1,636)	122	—	(1,514)
Net current-period other comprehensive income	70,290	122	12,043	82,455
Ending balance	$ 37,162	$ (2,055)	$ 12,043	$ 47,150
Six Months Ended June 30, 2018				
Beginning balance	$ (19,779)	$ (2,446)	$ —	$ (22,225)
Adjustment pursuant to adoption of ASU 2016-01	157	—	—	157
Other comprehensive loss before reclassifications	(33,893)	—	—	(33,893)
Amounts reclassified from accumulated other comprehensive loss (2)	(82)	122	—	40
Net current-period other comprehensive income (loss)	(33,975)	122	—	(33,853)
Ending balance	$ (53,597)	$ (2,324)	$ —	$ (55,921)

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(1) All amounts are net of tax. Amounts in parenthesis 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 three and six month periods ended June 30, 2019 and 2018:

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)				Affected line Item in the Consolidated
	Three Months Ended June 30,		Six Months Ended June 30,		
	2019	2018	2019	2018	Statement of Income
	(in thousands)				
Unrealized gains and losses on available for sale debt securities					
Investment securities gains, net	$ 285	$ 5	$ 2,132	$ 107	Investment securities gains (losses), net
	285	5	2,132	107	Total before tax
	(66)	(1)	(496)	(25)	Income tax provision
	$ 219	$ 4	$ 1,636	$ 82	Net of tax
Amortization of pension plan liability					
Actuarial losses	$ (80)	$ (80)	$ (159)	$ (160)	Compensation and employee benefits
	(80)	(80)	(159)	(160)	Total before tax
	19	19	37	38	Income tax provision
	$ (61)	$ (61)	$ (122)	$ (122)	Net of tax

14. Fair Value Accounting and Measurement

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

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

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

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

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

Fair values are determined as follows:

Securities at fair value are priced using a combination of market activity, industry recognized information sources, yield curves, discounted cash flow models and other factors. These fair value calculations are considered a Level 2 input method under the provisions of the Fair Value Measurements and Disclosures topic of the FASB ASC for all securities other than U.S. Treasury Notes and equity securities, which are considered a Level 1 input method.

Interest rate 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 June 30, 2019 and December 31, 2018 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
June 30, 2019		*(in thousands)*		
Assets				
Debt securities available for sale:				
U.S. government agency and government-sponsored enterprise mortgage-back securities and collateralized mortgage obligations	$ 2,139,496	$ —	$ 2,139,496	$ —
State and municipal debt securities	509,679	—	509,679	—
U.S. government agency and government-sponsored enterprise securities	214,994	—	214,994	—
U.S. government securities	249	249	—	—
Total debt securities available for sale	$ 2,864,418	$ 249	$ 2,864,169	$ —
Other assets:				
Interest rate contracts	$ 17,857	$ —	$ 17,857	$ —
Interest rate collar	$ 15,691	$ —	$ 15,691	$ —
Liabilities				
Other liabilities:				
Interest rate contracts	$ 17,858	$ —	$ 17,858	$ —

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Level 1	Level 2	Level 3
December 31, 2018		*(in thousands)*		
Assets				
Debt securities available for sale:				
U.S. government agency and government-sponsored enterprise mortgage-back securities and collateralized mortgage obligations	$ 2,188,290	$ —	$ 2,188,290	$ —
State and municipal debt securities	574,323	—	574,323	—
U.S. government agency and government-sponsored enterprise securities	404,587	—	404,587	—
U.S. government securities	248	248	—	—
Total debt securities available for sale	$ 3,167,448	$ 248	$ 3,167,200	$ —
Other assets:				
Interest rate contracts	$ 7,033	$ —	$ 7,033	$ —
Liabilities				
Other liabilities:				
Interest rate contracts	$ 7,033	$ —	$ 7,033	$ —

There were no transfers between Level 1 and Level 2 of the valuation hierarchy during the six month periods ended June 30, 2019 and 2018. The Company recognizes transfers between levels of the valuation hierarchy based on the valuation level at the end of the reporting period.

Nonrecurring Measurements

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition such as loans measured for impairment. The following method was used to estimate the fair value of impaired loans:

Impaired loans—A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due (both interest and principal) according to the contractual terms of the loan agreement. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, a loan's observable market price, or the fair market value of the collateral less estimated costs to sell if the loan is a collateral-dependent loan. The impairment evaluations are performed in conjunction with the allowance process on a quarterly basis by officers in the Special Credits group, which reports to the Chief Credit Officer. The REASD, which also reports to the Chief Credit Officer, is responsible for obtaining appraisals from third-parties or performing internal evaluations. If an appraisal is obtained from a third-party, the REASD reviews the appraisal to evaluate the adequacy of the appraisal report, including its scope, methods, accuracy and reasonableness.

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 June 30, 2019	Fair Value Measurements at Reporting Date Using			Losses During the Three Months Ended June 30, 2019	Losses During the Six Months Ended June 30, 2019
		Level 1	Level 2	Level 3		
			(in thousands)			
Impaired loans	$ 4,837	$ —	$ —	$ 4,837	$ 2,124	$ 2,525
	$ 4,837	$ —	$ —	$ 4,837	$ 2,124	$ 2,525

	Fair value at June 30, 2018	Fair Value Measurements at Reporting Date Using			Gains During the Three Months Ended June 30, 2018	Losses During the Six Months Ended June 30, 2018
		Level 1	Level 2	Level 3		
			(in thousands)			
Impaired loans	$ 10,792	$ —	$ —	$ 10,792	$ (1,032)	$ 3,398
	$ 10,792	$ —	$ —	$ 10,792	$ (1,032)	$ 3,398

The losses on impaired loans disclosed above represent the amount of the specific reserve and/or charge-offs during the period applicable to loans held at period end. The amount of the specific reserve is included in the ALLL.

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 June 30, 2019		Valuation Technique	Unobservable Input	Range (Weighted Average) (1)
			(dollars in thousands)		
Impaired loans - collateral-dependent (2)	$	4,837	Fair Market Value of Collateral	Adjustment to Stated Value	0.00% - 100.00% (35.67%)

(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.

	Fair value at June 30, 2018		Valuation Technique	Unobservable Input	Range (Weighted Average) (1)
			(dollars in thousands)		
Impaired loans - collateral-dependent (2)	$	6,933	Fair Market Value of Collateral	Adjustment to Stated Value	0.00% - 62.81% (15.72%)
Impaired loans - other	$	3,859	Discounted Cash Flow	Discount Rate	4.25% - 6.50% (6.12%)

(1) Discount rate applied to discounted cash flow valuation or discount applied to appraisal value or stated value (in the case of accounts receivable, fixed assets and inventory).

(2) Collateral consists of 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 June 30, 2019 and December 31, 2018:

	June 30, 2019				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(in thousands)				
Assets					
Cash and due from banks	$ 224,327	$ 224,327	$ 224,327	$ —	$ —
Interest-earning deposits with banks	34,332	34,332	34,332	—	—
Debt securities available for sale	2,864,418	2,864,418	249	2,864,169	—
FHLB stock	29,800	29,800	—	29,800	—
Loans held for sale	12,189	12,189	—	12,189	—
Loans	8,566,473	8,745,513	—	—	8,745,513
Interest rate contracts	17,857	17,857	—	17,857	—
Interest rate collar	15,691	15,691	—	15,691	—
Liabilities					
Time deposits	$ 391,496	$ 388,103	$ —	$ 388,103	$ —
FHLB advances	495,496	396,344	—	396,344	—
Repurchase agreements	50,226	50,226	—	50,226	—
Subordinated debentures	35,370	35,397	—	35,397	—
Interest rate contracts	17,858	17,858	—	17,858	—

	December 31, 2018				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(in thousands)				
Assets					
Cash and due from banks	$ 260,180	$ 260,180	$ 260,180	$ —	$ —
Interest-earning deposits with banks	17,407	17,407	17,407	—	—
Debt securities available for sale	3,167,448	3,167,448	248	3,167,200	—
FHLB stock	25,960	25,960	—	25,960	—
Loans held for sale	3,849	3,849	—	3,849	—
Loans	8,308,142	8,316,946	—	—	8,316,946
Interest rate contracts	7,033	7,033	—	7,033	—
Liabilities					
Time deposits	$ 414,443	$ 407,659	$ —	$ 407,659	$ —
FHLB advances	399,523	400,085	—	400,085	—
Repurchase agreements	61,094	61,094	—	61,094	—
Subordinated debentures	35,462	34,897	—	34,897	—
Interest rate contracts	7,033	7,033	—	7,033	—

15. Earnings Per Common Share

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

The following table sets forth the computation of basic and diluted EPS for the three and six months ended June 30, 2019 and 2018:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands except per share amounts)			
Basic EPS:				
Net income	$ 51,724	$ 41,749	$ 97,595	$ 81,719
Less: Earnings allocated to participating securities:				
Nonvested restricted shares	378	473	838	909
Earnings allocated to common shareholders	$ 51,346	$ 41,276	$ 96,757	$ 80,810
Weighted average common shares outstanding	72,451	72,385	72,486	72,343
Basic earnings per common share	$ 0.71	$ 0.57	$ 1.33	$ 1.12
Diluted EPS:				
Earnings allocated to common shareholders	$ 51,346	$ 41,276	$ 96,757	$ 80,810
Weighted average common shares outstanding	72,451	72,385	72,486	72,343
Dilutive effect of equity awards	—	5	1	4
Weighted average diluted common shares outstanding	72,451	72,390	72,487	72,347
Diluted earnings per common share	$ 0.71	$ 0.57	$ 1.33	$ 1.12
Potentially dilutive share options that were not included in the computation of diluted EPS because to do so would be anti-dilutive	—	3	—	7

16. Revenue from Contracts with Customers

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

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

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

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

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

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

Practical expedients

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

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

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

Disaggregation of revenue

The following table shows the disaggregation of revenue from contracts with customers for the three and six month periods ended June 30, 2019 and 2018:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Noninterest income:				
Revenue from contracts with customers:				
Deposit account and treasury management fees	$ 9,035	$ 8,683	$ 18,015	$ 17,423
Card revenue	3,763	6,616	7,425	12,429
Financial services and trust revenue	3,425	3,219	6,382	5,949
Total revenue from contracts with customers	16,223	18,518	31,822	35,801
Other sources of noninterest income	9,425	5,174	15,522	11,034
Total noninterest income	$ 25,648	$ 23,692	$ 47,344	$ 46,835

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, 2018 audited Consolidated Financial Statements and its accompanying notes included in our Annual Report on Form 10-K. In the following discussion, unless otherwise noted, references to increases or decreases in average balances in items of income and expense for a particular period and balances at a particular date refer to the comparison with corresponding amounts for the period or date one year earlier.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions that are not historical facts, and statements identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “should,” “projects,” “seeks,” “estimates” or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. Forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. In addition to the factors set forth in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this report and the factors set forth in the section titled “Risk Factors” in the Company’s Form 10-K, the following factors, among others, could cause actual results to differ materially from the anticipated results expressed or implied by forward-looking statements:

- national and global economic conditions could be less favorable than expected or could have a more direct and pronounced effect on us than expected and adversely affect our ability to continue internal growth and maintain the quality of our earning assets;
- the markets where we operate and make loans could face challenges;
- the risks presented by the economy, which could adversely affect credit quality, collateral values, including real estate collateral, investment values, liquidity and loan originations and loan portfolio delinquency rates;
- the efficiencies and enhanced financial and operating performance we expect to realize from investments in personnel, acquisitions, and infrastructure may not be realized;
- interest rate changes could significantly reduce net interest income and negatively affect funding sources;
- possible cessation or market replacement of LIBOR and the related effect on our LIBOR-based financial products and contracts, including, but not limited to, hedging products, debt obligations, investments, and loans;
- projected business increases following strategic expansion could be lower than expected;
- changes in the scope and cost of FDIC insurance and other coverages;
- the impact of acquired loans on our earnings;
- changes in accounting principles, policies and guidelines applicable to bank holding companies and banking;
- changes in laws and regulations affecting our businesses, including changes in the enforcement and interpretation of such laws and regulations by applicable governmental and regulatory agencies;
- competition among financial institutions and nontraditional providers of financial services could increase significantly;
- continued consolidation in the Northwest financial services industry resulting in the creation of larger financial institutions that may have greater resources could change the competitive landscape;
- the goodwill we have recorded in connection with acquisitions could become impaired, which may have an adverse impact on our earnings and capital;
- our ability to identify and address cyber-security risks, including security breaches, “denial of service attacks,” “hacking” and identity theft;
- any material failure or interruption of our information and communications systems or inability to keep pace with technological changes;
- our ability to effectively manage credit risk, interest rate risk, market risk, operational risk, legal risk, liquidity risk and regulatory and compliance risk;
- failure to maintain effective internal controls 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; 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 ALLL, business combinations and the valuation and recoverability of goodwill as critical to an understanding of our financial statements. These policies and related estimates are discussed in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Allowance for Loan and Lease Losses,” “Business Combinations” and “Valuation and Recoverability of Goodwill” in our 2018 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 2018 Annual Report on Form 10-K.

RESULTS OF OPERATIONS

Our results of operations are dependent to a large degree on our net interest income. We also generate noninterest income from our broad range of products and services including treasury management, wealth management and debit and credit cards. Our operating expenses consist primarily of compensation and employee benefits, occupancy, data processing and legal and professional fees. Like most financial institutions, our interest income and cost of funds are affected significantly by general economic conditions, particularly changes in market interest rates, and by government policies and actions of regulatory authorities.

Earnings Summary

Comparison of current quarter to prior year period

The Company reported net income for the second quarter of $51.7 million or $0.71 per diluted common share, compared to $41.7 million or $0.57 per diluted common share for the second quarter of 2018. Net interest income for the three months ended June 30, 2019 was $125.1 million, an increase of $8.4 million from the prior year period. The increase was primarily driven by $4.9 million of interest recoveries on nonaccrual loans received in the second quarter of 2019 related to two lending relationships. In addition, interest income on loans and taxable securities increased due to both higher average balances and higher rates.

The provision for loan and lease losses for the second quarter of 2019 was $218 thousand compared to $4.0 million during the second quarter of 2018. The lower provision expense recorded in the second quarter of 2019 compared to one year ago was primarily due to an improvement in the credit quality of our loan portfolio.

Noninterest income for the current quarter was $25.6 million, an increase of $2.0 million from the prior year period. The increase was primarily due to $3.0 million in BOLI benefits and a $667 thousand gain on disposal of loans during the second quarter of 2019, partially offset by lower card revenue.

Total noninterest expense for the quarter ended June 30, 2019 was $86.7 million, an increase of $2.1 million from the prior year period. After removing acquisition-related expenses of $2.8 million from the second quarter of 2018, year over year noninterest expense increased $4.9 million, or 6%. This increase was primarily driven by higher compensation and employee benefits and legal and professional expenses, partially offset by a decrease in OREO expenses.

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

Net interest income for the six months ended June 30, 2019 was $246.1 million, an increase of $14.0 million from the prior year period. The increase was a result of the previously noted $4.9 million of loan interest recoveries and higher rates on the loan portfolio, partially offset by higher rates on deposits and an increase in FHLB advances.

The provision for loan and lease losses for the six months ended June 30, 2019 was $1.6 million compared to a provision of $9.8 million for the first six months of 2018. The decrease in the provision for the first half of 2019 compared to the same period in 2018 was due to an improvement in the credit quality of our loan portfolio.

Noninterest income for the six months ended June 30, 2019 was $47.3 million, an increase of $509.0 thousand from the prior year period. The increase was primarily due to the previously noted BOLI benefit, gain on sale of disposal of loans and the net gain on sale of securities during the six months ended June 30, 2019, partially offset by the previously noted lower card revenue as a result of the interchange fee cap.

For the six months ended June 30, 2019, noninterest expense was $171.4 million, an increase of $798 thousand from $170.6 million a year earlier. After removing the acquisition-related expenses of $7.1 million from the first six months of 2018, year over year noninterest expense increased $7.9 million, or 5%. The increase from the prior year period was driven by higher compensation and employee benefits expense and higher legal and professional fees, partially offset by decreases in OREO expenses.

Net Interest Income

The following table sets forth the average balances of all major categories of interest-earning assets and interest-bearing liabilities, the total dollar amounts of interest income on interest-earning assets and interest expense on interest-bearing liabilities, the average yield earned on interest-earning assets and average cost of interest-bearing liabilities by category and, in total, net interest income and net interest margin:

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
	Average Balances	Interest Earned / Paid	Average Rate (3)	Average Balances	Interest Earned / Paid	Average Rate (3)
	(dollars in thousands)					
ASSETS						
Loans, net (1)(2)	$ 8,601,819	$ 117,984	5.50%	$ 8,389,230	$ 106,526	5.09%
Taxable securities	2,506,672	15,918	2.55%	2,111,086	11,923	2.27%
Tax exempt securities (2)	463,077	3,433	2.97%	517,206	3,877	3.01%
Interest-earning deposits with banks	35,159	207	2.36%	35,285	151	1.72%
Total interest-earning assets	11,606,727	137,542	4.75%	11,052,807	122,477	4.44%
Other earning assets	233,273			221,141		
Noninterest-earning assets	1,256,413			1,255,592		
Total assets	$ 13,096,413			$ 12,529,540		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Certificates of deposit	$ 403,514	$ 586	0.58%	$ 464,217	$ 549	0.47%
Savings accounts	892,246	43	0.02%	875,529	30	0.01%
Interest-bearing demand	1,261,833	1,098	0.35%	1,295,409	608	0.19%
Money market accounts	2,617,282	3,249	0.50%	2,755,714	1,385	0.20%
Total interest-bearing deposits	5,174,875	4,976	0.39%	5,390,869	2,572	0.19%
FHLB advances	602,041	4,708	3.14%	156,512	815	2.09%
Subordinated debentures	35,392	468	5.30%	35,577	468	5.28%
Other borrowings and interest-bearing liabilities	29,117	154	2.12%	28,097	20	0.29%
Total interest-bearing liabilities	5,841,425	10,306	0.71%	5,611,055	3,875	0.28%
Noninterest-bearing deposits	5,011,496			4,873,953		
Other noninterest-bearing liabilities	147,335			89,980		
Shareholders' equity	2,096,157			1,954,552		
Total liabilities & shareholders' equity	$ 13,096,413			$ 12,529,540		
Net interest income (tax equivalent)		$ 127,236			$ 118,602	
Net interest margin (tax equivalent)			4.40%			4.30%

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(1) Nonaccrual loans have been included in the tables as loans carrying a zero yield. Amortized net deferred loan fees and net unearned discounts on acquired loans were included in the interest income calculations. The amortization of net deferred loan fees was $2.1 million for both the three months ended June 30, 2019 and 2018. The incremental accretion income on acquired loans was $2.7 million and $3.0 million for the three months ended June 30, 2019 and 2018, respectively.

(2) Tax-exempt income is calculated on a tax equivalent basis. The tax equivalent yield adjustment to interest earned on loans was $1.4 million and $1.1 million for the three months ended June 30, 2019 and 2018, respectively. The tax equivalent yield adjustment to interest earned on tax exempt securities was $721 thousand and $814 thousand for the three months ended June 30, 2019 and 2018, respectively.

(3) Beginning January 2019, average rates were calculated using the actual number of days on an actual/actual basis. This change was done to provide more meaningful trend information for our NIM regardless of the number of days in the period. Prior periods, which were previously reported on a 30/360 basis, have been restated to conform to the current basis.

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:

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018		
	Average Balances	Interest Earned / Paid	Average Rate (3)	Average Balances	Interest Earned / Paid	Average Rate (3)
	(dollars in thousands)					
ASSETS						
Loans, net (1)(2)	$ 8,504,781	$ 227,699	5.40%	$ 8,369,097	$ 210,617	5.07%
Taxable securities	2,571,692	33,333	2.61%	2,134,433	24,631	2.33%
Tax exempt securities (2)	482,812	7,191	3.00%	520,689	7,755	3.00%
Interest-earning deposits with banks	25,016	295	2.38%	63,368	496	1.58%
Total interest-earning assets	11,584,301	$ 268,518	4.67%	11,087,587	$ 243,499	4.43%
Other earning assets	232,678			219,642		
Noninterest-earning assets	1,255,381			1,258,909		
Total assets	$ 13,072,360			$ 12,566,138		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Certificates of deposit	$ 405,018	$ 1,162	0.58%	$ 471,930	$ 1,075	0.46%
Savings accounts	894,777	87	0.02%	876,842	71	0.02%
Interest-bearing demand	1,259,954	2,051	0.33%	1,274,234	1,143	0.18%
Money market accounts	2,640,744	6,174	0.47%	2,775,253	2,792	0.20%
Total interest-bearing deposits	5,200,493	9,474	0.37%	5,398,259	5,081	0.19%
FHLB advances	551,018	7,393	2.71%	141,171	1,385	1.98%
Subordinated debentures	35,415	936	5.33%	35,600	936	5.30%
Other borrowings and interest-bearing liabilities	35,375	369	2.10%	44,378	136	0.62%
Total interest-bearing liabilities	5,822,301	$ 18,172	0.63%	5,619,408	$ 7,538	0.27%
Noninterest-bearing deposits	5,027,966			4,901,200		
Other noninterest-bearing liabilities	151,457			93,602		
Shareholders' equity	2,070,636			1,951,928		
Total liabilities & shareholders' equity	$ 13,072,360			$ 12,566,138		
Net interest income (tax equivalent)		$ 250,346			$ 235,961	
Net interest margin (tax equivalent)			4.36%			4.29%

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(1) Nonaccrual loans have been included in the table as loans carrying a zero yield. Amortized net deferred loan fees and net unearned discounts on acquired loans were included in the interest income calculations. The amortization of net deferred loan fees was $4.3 million for both the six months ended June 30, 2019 and 2018. The incremental accretion income on acquired loans was $4.7 million and $6.7 million for the six months ended June 30, 2019 and 2018, respectively.

(2) Tax-exempt income is calculated on a tax equivalent basis. The tax equivalent yield adjustment to interest earned on loans was $2.7 million and $2.2 million for the six months ended June 30, 2019 and 2018, respectively. The tax equivalent yield adjustment to interest earned on tax exempt securities was $1.5 million and $1.6 million for the six months ended June 30, 2019 and 2018, respectively.

(3) Beginning January 2019, average rates were calculated using the actual number of days to be on an actual/actual basis. This change was done to provide more meaningful trend information for our net interest margin regardless of the number of days in the period. Prior periods, which were previously reported on a 30/360 basis, have been restated to conform to the current basis.

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 June 30, 2019 Compared to 2018 Increase (Decrease) Due to		
	Volume	Rate	Total
		(in thousands)	
Interest Income			
Loans, net	$ 2,751	$ 8,707	$ 11,458
Taxable securities	2,401	1,594	3,995
Tax exempt securities	(402)	(42)	(444)
Interest earning deposits with banks	(1)	57	56
Interest income	$ 4,749	$ 10,316	$ 15,065
Interest Expense			
Deposits:			
Certificates of deposit	$ (78)	$ 115	$ 37
Savings accounts	1	12	13
Interest-bearing demand	(16)	506	490
Money market accounts	(73)	1,937	1,864
Total interest on deposits	(166)	2,570	2,404
FHLB advances	3,309	584	3,893
Other borrowings and interest-bearing liabilities	1	133	134
Interest expense	$ 3,144	$ 3,287	$ 6,431

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:

	Six Months Ended June 30, 2019 Compared to 2018 Increase (Decrease) Due to		
	Volume	Rate	Total
		(in thousands)	
Interest Income			
Loans, net	$ 3,459	$ 13,623	$ 17,082
Taxable securities	5,434	3,268	8,702
Tax exempt securities	(564)	—	(564)
Interest earning deposits with banks	(383)	182	(201)
Interest income	$ 7,946	$ 17,073	$ 25,019
Interest Expense			
Deposits:			
Certificates of deposit	$ (166)	$ 253	$ 87
Savings accounts	1	15	16
Interest-bearing demand	(13)	921	908
Money market accounts	(142)	3,524	3,382
Total interest on deposits	(320)	4,713	4,393
FHLB advances	5,333	675	6,008
Other borrowings	(22)	255	233
Interest expense	$ 4,991	$ 5,643	$ 10,634

The following table shows the impact to interest income of incremental accretion income as well as the net interest margin and operating net interest margin for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
		(dollars in thousands)		
Incremental accretion income due to:				
FDIC PCI loans	$ 579	$ 326	$ 867	$ 655
Other acquired loans	2,084	2,690	3,831	6,060
Incremental accretion income	$ 2,663	$ 3,016	$ 4,698	$ 6,715
Net interest margin (tax equivalent) (1)	4.40%	4.30%	4.36%	4.29%
Operating net interest margin (1)(2)	4.38%	4.28%	4.36%	4.26%

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(1) Beginning January 2019, net interest margin (tax equivalent) and operating net interest margin (tax equivalent) were calculated using the actual number of days and on an actual/actual basis. This change was done to provide more meaningful trend information for our NIM regardless of the number of days in the period. Prior periods, which were previously reported on a 30/360 basis, have been restated to conform to the current basis.

(2) Operating net interest margin (tax equivalent) is a non-GAAP measurement. See Non-GAAP measures section of Item 2, Management's Discussion and Analysis.

Comparison of current quarter to prior year period

Net interest income for the second quarter of 2019 was $125.1 million, up from $116.7 million for the same quarter in 2018. The increase was primarily due to $4.9 million of loan interest recoveries on nonaccrual loans received in the second quarter of 2019 related to two lending relationships. In addition, interest income on loans and taxable securities increased due to both higher average balances and higher rates. The Company's net interest margin (tax equivalent) increased to 4.40% in the second quarter of 2019, from 4.30% for the prior year period. This increase was due to the previously noted loan interest recoveries and higher rates on the loan portfolio, partially offset by higher rates on our deposits and borrowings. The Company's operating net interest margin (tax equivalent) (see footnote 2 in prior table) increased to 4.38%, or 10 basis points, from 4.28% during the second quarter of 2018. The increase was due to the items previously noted for the increase in the net interest margin.

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

Net interest income for the six months ended June 30, 2019 was $246.1 million, an increase of 6% from $232.2 million for the prior year period. The increase in net interest income was primarily due to the previously noted $4.9 million of loan interest recoveries. Interest income on loans and taxable securities increased due to both higher average balances and higher rates. The Company's net interest margin (tax equivalent) increased to 4.36% for the first six months of 2019, from 4.29% for the prior year period. The increase in the Company's net interest margin (tax equivalent) was driven by the previously noted loan interest recoveries and higher rates on the loan portfolio, which were partially offset by higher rates on our deposits and borrowings. The Company's operating net interest margin (tax equivalent) for the six months ended June 30, 2019 increased to 4.36% from 4.26% due to the same reasons for the increase in the net interest margin.

Provision for Loan and Lease Losses

Comparison of current quarter to prior year period

During the second quarter of 2019, the Company recorded a $218 thousand net provision for loan losses compared to a $4.0 million net provision during the second quarter of 2018. The decrease in the provision for loan losses was due to an improvement in the credit quality of the loan portfolio. In addition, we recorded a large charge-off in our agricultural loan portfolio during the second quarter of 2018. The net provision for loan and lease losses recorded during the current quarter included management's ongoing assessment of the credit quality of the Company's loan portfolio. Factors affecting the provision include net charge-offs, credit quality migration, and size and composition of the loan portfolio and changes in the economic environment during the second quarter of 2019. The amount of provision was calculated in accordance with the Company's methodology for determining the ALLL, discussed in Note 5 to the Consolidated Financial Statements in "Item 1. Financial Statements (unaudited)" of this report.

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

The provision for loan and lease losses for the six months ended June 30, 2019 was $1.6 million compared to $9.8 million during the same period in 2018. The decrease in the provision for the first half of 2019 was primarily due to the improved credit quality of our loan portfolio. We also recorded a large charge-off in our agricultural loan portfolio during the six months ended June 30, 2018, as noted above. The amount of provision was calculated in accordance with the Company's methodology for determining ALLL, 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 June 30,				Six Months Ended June 30,			
	2019	2018	$ Change	% Change	2019	2018	$ Change	% Change
				(dollars in thousands)				
Deposit account and treasury management fees	$ 9,035	$ 8,683	$ 352	4 %	$ 18,015	$ 17,423	$ 592	3 %
Card revenue	3,763	6,616	(2,853)	(43)%	7,425	12,429	(5,004)	(40)%
Financial services and trust revenue	3,425	3,219	206	6 %	6,382	5,949	433	7 %
Loan revenue	3,596	3,054	542	18 %	5,985	6,240	(255)	(4)%
Bank owned life insurance	1,597	1,712	(115)	(7)%	3,116	3,138	(22)	(1)%
Investment securities gains (losses), net	285	(33)	318	100 %	2,132	(11)	2,143	100 %
Other	3,947	441	3,506	100 %	4,289	1,667	2,622	157 %
Total noninterest income	$ 25,648	$ 23,692	$ 1,956	8 %	$ 47,344	$ 46,835	$ 509	1 %

Comparison of current quarter to prior year period

Noninterest income was $25.6 million for the second quarter of 2019, compared to $23.7 million for the same period in 2018. The increase was due to $3.0 million in BOLI benefits and a $667 thousand gain on disposal of loans included in other noninterest income. These increases were partially offset by lower card revenue during the second quarter of 2019 because, as of July 1, 2018, we became subject to the interchange fee cap imposed under the Dodd-Frank Act.

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

For the six months ended June 30, 2019, noninterest income was $47.3 million compared to $46.8 million for the same period in 2018, an increase of $509 thousand. The increase was due to the previously noted BOLI benefits and gain on disposal of loans as well as the $2.1 million net gain on sale of securities, partially offset by lower card revenue as a result of the interchange fee cap, as previously noted.

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 June 30,				Six Months Ended June 30,			
	2019	2018	$ Change	% Change	2019	2018	$ Change	% Change
	(dollars in thousands)							
Compensation and employee benefits	$ 52,015	$ 48,949	$ 3,066	6 %	$ 104,100	$ 99,519	$ 4,581	5 %
Occupancy	8,712	9,276	(564)	(6)%	17,521	19,397	(1,876)	(10)%
Data processing	4,601	5,221	(620)	(12)%	9,270	10,491	(1,221)	(12)%
Legal and professional services	6,554	4,171	2,383	57 %	11,127	7,408	3,719	50 %
Amortization of intangibles	2,649	3,088	(439)	(14)%	5,397	6,276	(879)	(14)%
B&O taxes (1)	1,411	1,459	(48)	(3)%	3,287	2,776	511	18 %
Advertising and promotion	870	1,622	(752)	(46)%	1,844	3,051	(1,207)	(40)%
Regulatory premiums	956	937	19	2 %	1,940	1,874	66	4 %
Net cost (benefit) of operation of OREO	(705)	758	(1,463)	(193)%	(592)	759	(1,351)	(178)%
Other (1)	9,665	9,162	503	5 %	17,534	19,079	(1,545)	(8)%
Total noninterest expense	$ 86,728	$ 84,643	$ 2,085	2 %	$ 171,428	$ 170,630	$ 798	— %

(1) Beginning the first quarter of 2019, B&O taxes are reported separately from other taxes, licenses and fees, which are now reported under "other noninterest expense." Prior periods have been reclassified to conform to current period presentation.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Acquisition-related expenses:				
Compensation and employee benefits	$ —	$ 931	$ —	$ 2,487
Occupancy	—	586	—	1,590
Data processing	—	634	—	921
Legal and professional fees	—	217	—	791
Advertising and promotion	—	22	—	534
Other	—	432	—	764
Total impact of acquisition-related expense to noninterest expense (1)	$ —	$ 2,822	$ —	$ 7,087

(1) There were no acquisition-related expenses recorded during the three or six months ended June 30, 2019. All of the acquisition-related expenses in 2018 were related to the 2017 acquisition of Pacific Continental.

Comparison of current quarter to prior year period

Total noninterest expense for the second quarter of 2019 was $86.7 million, an increase of $2.1 million from $84.6 million for the prior year period. After removing the acquisition-related expenses of $2.8 million from the first quarter of 2018, year over year noninterest expense increased $4.9 million, or 6%. This increase was primarily driven by higher compensation and employee benefits and legal and professional expenses, partially offset by a decrease in OREO expenses. Salary expense increased as a result of the rise in the number of employees compared to June 30, 2018. Legal and professional fees were $2.6 million higher in the current period primarily due to expenses related to the digital corporate initiative. These increases in expenses were partially offset by a net benefit on OREO in the second quarter of 2019 compared to a net cost of $758 thousand in the second quarter of 2018.

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

For the six months ended June 30, 2019, noninterest expense was $171.4 million, an increase of $798 thousand from $170.6 million a year earlier. After removing the acquisition-related expenses of $7.1 million from the first six months of 2018, year over year noninterest expense increased $7.9 million, or 5%. The increase from the prior year period was driven by higher compensation and employee benefits expense and higher legal and professional fees, partially offset by decreases in OREO expenses. Salary expense increased $3.8 million, incentive plan expense increased $1.3 million and benefits expense increased $838 thousand compared to the first half of 2018. Professional fees increased $3.3 million due primarily to the digital corporate initiative. These increases in noninterest expense were partially offset by the $592 thousand current year net benefit of OREO expenses resulting from a gain on the sale of OREO, mentioned previously, compared to net OREO operating expenses of $759 thousand during the six months ended June 30, 2019.

Income Taxes

We recorded an income tax provision of $12.1 million for the second quarter of 2019, compared to a provision of $10.0 million for the same period in 2018, with effective tax rates of 19% for both the second quarter of 2019 and 2018. For the six months ended June 30, 2019 and 2018, we recorded income tax provisions of $22.9 million and $16.8 million, respectively, with effective tax rates of 19% for the current year and 17% for the prior year period. 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, 2018.

FINANCIAL CONDITION

Total assets were $13.09 billion at June 30, 2019, a decrease of $4.3 million from December 31, 2018. Cash and cash equivalents decreased $18.9 million. Loans increased $255.5 million during the current year, which was primarily the result of increased loan production, partially offset by principal pay downs. Debt securities available for sale were $2.86 billion at June 30, 2019, a decrease of $303.0 million from December 31, 2018 as earning assets rotated into loans. Total liabilities were $10.96 billion as of June 30, 2019, a decrease of $104.3 million from December 31, 2018. The decline was primarily due to a decrease in deposits partially offset by an increase in FHLB advances.

Investment Securities

At June 30, 2019, the Company’s investment portfolio primarily consisted of debt securities available for sale totaling $2.86 billion compared to $3.17 billion at December 31, 2018. The decrease in the debt securities portfolio from year-end is due to $439.5 million in maturities, repayments and sales and $9.5 million in premium amortization, offset by $91.6 million in net unrealized gain and $54.4 million in purchases. The average duration of our debt securities investment portfolio was approximately 4 years and 4 months at June 30, 2019. This duration takes into account calls, where appropriate, and consensus prepayment speeds.

The investment securities are used by the Company as a component of its balance sheet management strategies. From time-to-time, securities may be sold to reposition the portfolio in response to strategies developed by the Company’s asset liability management committee. In accordance with our investment strategy, management monitors market conditions with a view to realize gains on its available for sale securities portfolio when prudent.

The Company performs a quarterly assessment of the debt securities available for sale in its investment portfolio that have an unrealized loss to determine whether the decline in the fair value of these securities below their amortized cost basis is other-than-temporary. Impairment is considered other-than-temporary when it becomes probable that the Company will be unable to recover the entire amortized cost basis of its investment. The Company’s impairment assessment takes into consideration factors such as the length of time and the extent to which the market value has been less than cost, defaults or deferrals of scheduled interest or principal, external credit ratings and recent downgrades, internal assessment of credit quality, and whether the Company intends to sell the security and whether it is more likely than not it will be required to sell the security prior to recovery of its amortized cost basis. If a decline in fair value is judged to be other-than-temporary, the cost basis of the individual security is written down to fair value which then becomes the new cost basis. The new cost basis is not adjusted for subsequent recoveries in fair value.

When there are credit losses associated with an impaired debt security and the Company does not have the intent to sell the security and it is more likely than not that it will not have to sell the security before recovery of its cost basis, the Company will separate the amount of the impairment into the amount that is credit-related and the amount related to non-credit factors. The credit-related impairment is recognized in earnings and the non-credit-related impairment is recognized in accumulated other comprehensive income.

At June 30, 2019, the market value of debt securities available for sale had a net unrealized gain of $48.4 million compared to a net unrealized loss of $43.2 million at December 31, 2018. The change in valuation was the result of fluctuations in market interest rates during the six months ended June 30, 2019. At June 30, 2019, the Company had $966.3 million of debt securities available for sale with gross unrealized losses of $12.6 million; however, we did not consider these investment securities to be other-than-temporarily impaired.

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

	June 30, 2019	December 31, 2018
	(in thousands)	
Debt securities available for sale:		
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$ 2,139,496	$ 2,188,290
State and municipal securities	509,679	574,323
U.S. government agency and government-sponsored enterprise securities	214,994	404,587
U.S. government securities	249	248
Total debt securities available for sale	$ 2,864,418	$ 3,167,448

For further information on our investment portfolio, 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, applicable laws, and regulations require risk analysis as well as ongoing portfolio and credit management. We manage our credit risk through lending limit constraints, credit review, approval policies, and extensive, ongoing internal monitoring. We also manage credit risk through diversification of the loan portfolio by type of loan, type of industry and type of borrower and by limiting the aggregation of debt to a single borrower.

In analyzing our existing portfolio, we review our consumer and residential loan portfolios by their performance as a pool of loans, since no single loan is individually significant or judged by its risk rating, size or potential risk of loss. In contrast, the monitoring process for the commercial business, real estate construction, and commercial real estate portfolios includes periodic reviews of individual loans with risk ratings assigned to each loan and performance judged on a loan-by-loan basis.

We review these loans to assess the ability of our borrowers to service all interest and principal obligations and, as a result, the risk rating may be adjusted accordingly. In the event that full collection of principal and interest is not reasonably assured, the loan is appropriately downgraded and, if warranted, placed on nonaccrual status even though the loan may be current as to principal and interest payments. Additionally, we assess whether an impairment of a loan warrants specific reserves or a write-down of the loan. For additional discussion on our methodology in managing credit risk within our loan portfolio, see the "Allowance for Loan and Lease Losses" section in this Management's Discussion and Analysis and Note 1 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" of the Company's 2018 Annual Report on Form 10-K.

Loan policies, credit quality criteria, portfolio guidelines and other controls are established under the guidance of our Chief Credit Officer and approved, as appropriate, by the Board of Directors. Credit Administration, together with the management loan committee, has the responsibility for administering the credit approval process. As another part of its control process, we use an internal credit review and examination function to provide reasonable assurance that loans and commitments are made and maintained as prescribed by our credit policies. This includes a review of documentation when the loan is initially extended and subsequent examination to ensure continued performance and proper risk assessment.

Loan Portfolio Analysis

Our wholly owned banking subsidiary Columbia State Bank is a full service commercial bank, which originates a wide variety of loans, and focuses its lending efforts on originating commercial business and commercial real estate loans.

The following table sets forth the Company’s loan portfolio by type of loan for the dates indicated:

	June 30, 2019	% of Total	December 31, 2018	% of Total
		(dollars in thousands)		
Commercial business	$ 3,644,051	42.1 %	$ 3,438,422	41.0 %
Real estate:				
One-to-four family residential	279,091	3.2 %	238,367	2.8 %
Commercial and multifamily residential	3,913,546	45.3 %	3,846,027	45.8 %
Total real estate	4,192,637	48.5 %	4,084,394	48.6 %
Real estate construction:				
One-to-four family residential	201,783	2.3 %	217,790	2.6 %
Commercial and multifamily residential	255,452	3.0 %	284,394	3.4 %
Total real estate construction	457,235	5.3 %	502,184	6.0 %
Consumer	305,752	3.5 %	318,945	3.8 %
PCI	84,730	1.0 %	89,760	1.1 %
Subtotal	8,684,405	100.4 %	8,433,705	100.5 %
Less: Net unearned income	(37,415)	(0.4)%	(42,194)	(0.5)%
Loans, net of unearned income (before ALLL)	$ 8,646,990	100.0 %	$ 8,391,511	100.0 %
Loans held for sale	$ 12,189		$ 3,849	

Total loans increased $255.5 million from year-end 2018 primarily the result of organic loan production, partially offset by principal pay downs. The loan portfolio continues to be diversified, with the intent to mitigate risk by monitoring concentration in any one sector. The $37.4 million in unearned income recorded at June 30, 2019 was comprised of $20.7 million in net purchase discounts and $16.7 million in net deferred loan fees. The $42.2 million in unearned income recorded at December 31, 2018 consisted of $26.1 million in net purchase discounts and $16.1 million in net deferred loan fees.

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

	June 30, 2019	December 31, 2018
Acquisition:	*(in thousands)*	
Pacific Continental	$ 16,103	$ 18,526
Intermountain	2,021	2,303
West Coast	3,451	4,578
Other	(847)	725
Total net discount at period end	$ 20,728	$ 26,132

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

Real Estate Loans: One-to-four family residential loans are secured by properties located within our primary market areas and, typically, have loan-to-value ratios of 80% or lower at origination. Our underwriting standards for commercial and multifamily residential loans generally require that the loan-to-value ratio for these loans not exceed 75% of appraised value, cost, or discounted cash flow value, as appropriate, and that commercial properties maintain debt coverage ratios (net operating income divided by annual debt servicing) of 1.2 or better. However, underwriting standards can be influenced by competition and other factors. We endeavor to maintain the highest practical underwriting standards while balancing the need to remain competitive in our lending practices.

Real Estate Construction Loans: We originate a variety of real estate construction loans. Underwriting guidelines for these loans vary by loan type but include loan-to-value limits, term limits and loan advance limits, as applicable. Our underwriting guidelines for commercial and multifamily residential real estate construction loans generally require that the loan-to-value ratio not exceed 75% and stabilized debt coverage ratios (net operating income divided by annual debt servicing) of 1.2 or better. As noted above, underwriting standards can be influenced by competition and other factors. However, we endeavor to maintain the highest practical underwriting standards while balancing the need to remain competitive in our lending practices.

Consumer Loans: Consumer loans include automobile loans, boat and recreational vehicle financing, home equity and home improvement loans and miscellaneous personal loans.

Foreign Loans: The Company has no material foreign activities. Substantially all of the Company's loans and unfunded commitments are geographically concentrated in its service areas within the states of Washington, Oregon and Idaho.

PCI Loans: PCI loans are comprised of loans and loan commitments acquired in connection with the 2011 FDIC-assisted acquisitions of First Heritage Bank and Summit Bank, as well as the 2010 FDIC-assisted acquisitions of Columbia River Bank and American Marine Bank. PCI loans are generally accounted for under ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* ("ASC 310-30").

For additional information on our loan portfolio, including amounts pledged as collateral on borrowings, see Note 4 to the Consolidated Financial Statements in "Item 1. Financial Statements (unaudited)" of this report.

Nonperforming Assets

Nonperforming assets consist of: (i) nonaccrual loans, which generally are loans placed on a nonaccrual basis when the loan becomes past due 90 days or when there are otherwise serious doubts about the collectability of principal or interest within the existing terms of the loan, (ii) OREO and (iii) OPPO, if applicable.

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

	June 30, 2019	December 31, 2018
	(dollars in thousands)	
Nonperforming assets		
Nonaccrual loans:		
Commercial business	$ 23,997	$ 35,513
Real estate:		
One-to-four family residential	860	1,158
Commercial and multifamily residential	11,843	14,904
Total real estate	12,703	16,062
Real estate construction:		
One-to-four family residential	—	318
Consumer	2,338	2,949
Total nonaccrual loans	39,038	54,842
OREO and OPPO	1,118	6,049
Total nonperforming assets	$ 40,156	$ 60,891
Loans, net of unearned income	$ 8,646,990	$ 8,391,511
Total assets	$ 13,090,808	$ 13,095,145
Nonperforming loans to period end loans	0.45%	0.65%
Nonperforming assets to period end assets	0.31%	0.46%

At June 30, 2019, nonperforming assets were $40.2 million, compared to $60.9 million at December 31, 2018. Nonperforming assets decreased $20.7 million during the six months ended June 30, 2019, primarily due to pay downs in nonaccrual commercial business loans and real estate loans. Additionally, we had $5.1 million in OREO sales during that time. For further information on OREO, see Note 6 of the Consolidated Financial Statements in “Item 1. Financial Statements (unaudited)” of this report.

Allowance for Loan and Lease Losses

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

At June 30, 2019, our ALLL was $80.5 million, or 0.93% of total loans (excluding loans held for sale). This compares with an ALLL of $83.4 million, or 0.99% of total loans (excluding loans held for sale) at December 31, 2018 and an ALLL of $80.2 million or 0.95% of total loans (excluding loans held for sale) at June 30, 2018.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Beginning balance, loans excluding PCI loans	$ 80,029	$ 74,162	$ 79,758	$ 68,739
Beginning balance, PCI loans	3,245	5,665	3,611	6,907
Beginning balance	83,274	79,827	83,369	75,646
Charge-offs:				
Commercial business	(4,118)	(5,775)	(5,367)	(8,252)
One-to-four family residential	—	—	(2)	—
Commercial and multifamily residential	—	—	—	(223)
One-to-four family residential construction	—	—	(170)	—
Consumer	(354)	(232)	(832)	(496)
PCI loans	(815)	(1,235)	(1,904)	(2,578)
Total charge-offs	(5,287)	(7,242)	(8,275)	(11,549)
Recoveries:				
Commercial business	547	1,543	1,027	2,345
One-to-four family residential	20	196	37	368
Commercial and multifamily residential	33	640	64	799
One-to-four family residential construction	661	14	721	33
Commercial and multifamily residential construction	1	—	1	—
Consumer	178	270	416	530
PCI loans	872	927	1,577	2,151
Total recoveries	2,312	3,590	3,843	6,226
Net charge-offs	(2,975)	(3,652)	(4,432)	(5,323)
Provision for loan and lease losses, loans excluding PCI loans	251	4,550	1,595	11,525
Provision (recapture) for loan and lease losses, PCI loans	(33)	(575)	(15)	(1,698)
Provision for loan and lease losses	218	3,975	1,580	9,827
Ending balance, loans excluding PCI loans	77,248	75,368	77,248	75,368
Ending balance, PCI loans	3,269	4,782	3,269	4,782
Ending balance	$ 80,517	$ 80,150	$ 80,517	$ 80,150
Total loans, net at end of period, excluding loans held of sale	$ 8,646,990	$ 8,454,107	$ 8,646,990	$ 8,454,107
ALLL to period-end loans	0.93%	0.95%	0.93%	0.95%
ALLL for unfunded commitments and letters of credit				
Beginning balance	$ 3,780	$ 4,330	$ 4,330	$ 3,130
Net changes in the ALLL for unfunded commitments and letters of credit	200	(650)	(350)	550
Ending balance	$ 3,980	$ 3,680	$ 3,980	$ 3,680

Liquidity and Sources of Funds

Our primary sources of funds are customer deposits. Additionally, we utilize advances from the FHLB, the FRB, and sweep repurchase agreements to supplement our funding needs. These funds, together with loan repayments, loan sales, retained earnings, equity and other borrowed funds are used to make loans, to acquire securities and other assets and to fund continuing operations.

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

Deposit Activities

Our deposit products include a wide variety of transaction accounts, savings accounts and time deposit accounts. Core deposits (demand deposit, savings, money market accounts and certificates of deposit less than $250,000) decreased $206.1 million from year-end 2018, shown in the table below.

We have established a branch system to serve our consumer and business depositors. In addition, management's strategy for funding asset growth is to make use of brokered and other wholesale deposits on an as-needed basis. The Company participates in the CDARS® program. CDARS® is a network that allows participating banks to offer extended FDIC deposit insurance coverage on time deposits. The Company also participates in a similar program to offer extended FDIC deposit insurance coverage on money market accounts. These extended deposit insurance programs are generally available only to existing customers and are not used as a means of generating additional liquidity. At June 30, 2019, brokered deposits, reciprocal money market accounts and other wholesale deposits (excluding public deposits) totaled $338.3 million, or 3.3% of total deposits, compared to $395.2 million or 3.8% at year-end 2018. These deposits have varied maturities.

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

	June 30, 2019		December 31, 2018	
	Balance	% of Total	Balance	% of Total
	(dollars in thousands)			
Core deposits:				
Demand and other noninterest-bearing	$ 5,082,219	49.8%	$ 5,227,216	50.0%
Interest-bearing demand	1,251,211	12.3%	1,244,254	11.9%
Money market	2,317,294	22.7%	2,367,964	22.6%
Savings	888,132	8.7%	890,557	8.5%
Certificates of deposit, less than $250,000	228,920	2.2%	243,849	2.3%
Total core deposits	9,767,776	95.7%	9,973,840	95.3%
Certificates of deposit, $250,000 or more	105,782	1.0%	89,473	0.9%
Certificates of deposit insured by CDARS®	16,559	0.2%	23,580	0.2%
Brokered certificates of deposit	40,502	0.4%	57,930	0.6%
Reciprocal money market accounts	281,247	2.7%	313,692	3.0%
Subtotal	10,211,866	100.0%	10,458,515	100.0%
Valuation adjustment resulting from acquisition accounting	(267)		(389)	
Total deposits	$ 10,211,599		$ 10,458,126	

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 June 30, 2019, we had FHLB advances of $495.5 million compared to $399.5 million at December 31, 2018.

During the second quarter of 2019, the Company entered into a $30.0 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. The credit agreement requires the Company to comply with certain covenants including those related to asset quality and capital levels.

We also utilize wholesale and retail repurchase agreements to supplement our funding sources. Our wholesale repurchase agreements are secured by mortgage-backed securities. At June 30, 2019 and December 31, 2018, we had deposit customer sweep-related repurchase agreements of $50.2 million and $61.1 million, respectively, which mature on a daily basis. Management anticipates we will continue to rely on FHLB advances, FRB borrowings and wholesale and retail repurchase agreements in the future and we will use those funds primarily to make loans and purchase securities.

Contractual Obligations, Commitments & Off-Balance Sheet Arrangements

We are party to many contractual financial obligations, including repayment of borrowings, operating and equipment lease payments, off-balance sheet commitments to extend credit and investments in affordable housing partnerships. At June 30, 2019, we had commitments to extend credit of $2.62 billion compared to $2.65 billion at December 31, 2018.

Capital Resources

Shareholders' equity at June 30, 2019 was $2.13 billion, compared to $2.03 billion at December 31, 2018. Shareholders' equity was 16% of total period-end assets at both June 30, 2019 and December 31, 2018.

Regulatory Capital

In July 2013, the federal bank regulators approved the Capital Rules (as discussed in our 2018 Annual Report on Form 10-K, "Item 1. Business—Supervision and Regulation and —Regulatory Capital Requirements"), which implement the Basel III capital framework and various provisions of the Dodd-Frank Act. We and the Bank were required to comply with these rules as of January 1, 2015, subject to the phase-in of certain provisions, which was completed as of January 1, 2019. We believe that, as of June 30, 2019, we and the Bank meet all capital adequacy requirements under the Capital Rules on a fully phased-in basis.

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 June 30, 2019 and December 31, 2018.

The following table presents the capital ratios and the capital conservation buffer, as applicable, for the Company and its banking subsidiary at June 30, 2019 and December 31, 2018:

	Company		Columbia Bank	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
CET1 risk-based capital ratio	12.57%	12.74%	12.81%	12.96%
Tier 1 risk-based capital ratio	12.57%	12.74%	12.81%	12.96%
Total risk-based capital ratio	13.75%	13.99%	13.65%	13.85%
Leverage ratio	10.39%	10.24%	10.58%	10.42%
Capital conservation buffer	5.75%	5.99%	5.65%	5.85%

Stock Repurchase Program

As described in our Annual Report on Form 10-K for the year ended December 31, 2018, our board of directors approved a stock repurchase program to repurchase up to 2.9 million shares, up to a maximum aggregate purchase price of $100.0 million. The Company intends to purchase the shares from time to time in the open market or in private transactions, under conditions which allow such repurchases to be accretive to EPS while maintaining capital ratios that exceed the guidelines for a well-capitalized financial institution. During the quarter, the Company repurchased 624 thousand shares of common stock totaling $21.9 million.

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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Operating net interest margin non-GAAP reconciliation:	*(dollars in thousands)*			
Net interest income (tax equivalent) (1)	$ 127,236	$ 118,602	$ 250,346	$ 235,961
Adjustments to arrive at operating net interest income (tax equivalent):				
Incremental accretion income on FDIC PCI loans	(579)	(326)	(867)	(655)
Incremental accretion income on other acquired loans	(2,084)	(2,690)	(3,831)	(6,060)
Premium amortization on acquired securities	1,651	2,131	3,430	4,206
Interest reversals on nonaccrual loans	662	253	1,288	670
Operating net interest income (tax equivalent) (1)	$ 126,886	$ 117,970	$ 250,366	$ 234,122
Average interest earning assets	$ 11,606,727	$ 11,052,807	$ 11,584,301	$ 11,087,587
Net interest margin (tax equivalent) (1)(2)	4.40%	4.30%	4.36%	4.29%
Operating net interest margin (tax equivalent) (1)(2)	4.38%	4.28%	4.36%	4.26%

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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 $2.1 million and $1.9 million for the three months ended June 30, 2019 and 2018, respectively, and an addition to net interest income of $4.2 million and $3.8 million for the six months ended June 30, 2019 and 2018, respectively.

(2) Beginning January 2019, net interest margin (tax equivalent) and operating net interest margin (tax equivalent) were calculated using the actual number of days and on an actual/actual basis. This change was done to provide more meaningful trend information for our NIM regardless of the number of days in the period. Prior periods, which were previously reported on a 30/360 basis, have been restated to conform to the current basis.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A number of measures are used to monitor and manage interest rate risk, including income simulations and interest sensitivity (gap) analysis. An income simulation model is the primary tool used to assess the direction and magnitude of changes in net interest income resulting from changes in interest rates. Basic assumptions in the model include prepayment speeds on mortgage-related assets, cash flows and maturities of other investment securities, loan and deposit volumes and pricing. These assumptions are inherently subjective and, as a result, the model cannot precisely estimate net interest income or precisely predict the impact of higher or lower interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes and changes in market conditions and management strategies, among other factors. At June 30, 2019, based on the measures used to monitor and manage interest rate risk, there has not been a material change in the Company's interest rate risk since December 31, 2018. For additional information, refer to Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2018 Annual Report on Form 10-K.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including the 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 Controls 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 controls 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, 2018 for a discussion of risk factors relating to the Company's business. The Company believes that there has been no material change in its risk factors as previously disclosed in the Company's Form 10-K.

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

(a) Not applicable

(b) Not applicable

(c) The following table provides information about repurchases of common stock by the Company during the quarter ended June 30, 2019:

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)
4/1/2019 - 4/30/2019	8,008	$ 36.88	—	2,900,000
5/1/2019 - 5/31/2019	248,497	35.53	248,152	2,651,848
6/1/2019 - 6/30/2019	376,200	34.70	376,006	2,275,842
	632,705	$ 35.05	624,158	

(1) Common shares repurchased by the Company during the quarter consisted of cancellation of 8,547 shares of common stock to pay the shareholders' withholding taxes and 624,158 shares of common stock purchased under the Company's stock repurchase program.

(2) As described in our Annual Report on Form 10-K for the year ended December 31, 2018, our board of directors approved a stock repurchase program to repurchase up to 2.9 million shares, up to a maximum aggregate purchase price of $100.0 million.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

10.1**+	Change in Control Agreement between the Bank and Andrew L. McDonald dated as of May 23, 2019
10.2**+	Second Amendment to the Columbia State Bank Endorsement Method Split Dollar Agreement, by and between the Bank and David C. Lawson, effective May 31, 2019
10.3**+	Second Amendment to the Columbia State Bank Endorsement Method Split Dollar Agreement, by and between the Bank and Kumi Baruffi, effective May 31, 2019
10.4**+	Third Amendment to the Columbia State Bank Endorsement Method Split Dollar Agreement, by and between the Bank and Clinton E. Stein, effective May 31, 2019
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+	Cover Page Interactive Data File
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

** Management contract or compensatory plan or arrangement
+ Filed herewith

SIGNATURES

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

COLUMBIA BANKING SYSTEM, INC.

Date: August 1, 2019	By	/s/ HADLEY S. ROBBINS
		Hadley S. Robbins President and Chief Executive Officer (Principal Executive Officer)
Date: August 1, 2019	By	/s/ GREGORY A. SIGRIST
		Gregory A. Sigrist Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: August 1, 2019	By	/s/ BROCK M. LAKELY
		Brock M. Lakely Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

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Section 2: EX-10.1 (CHANGE IN CONTROL AGREEMENT - MCDONALD)

EXHIBIT 10.1

COLUMBIA STATE BANK
CHANGE IN CONTROL AGREEMENT

THIS CHANGE IN CONTROL AGREEMENT (“Agreement”) is made and entered into effective this 23rd day of May 2019, by and between COLUMBIA STATE BANK, a Washington banking corporation (the “Bank”) and wholly owned subsidiary of Columbia Banking System, Inc. (“CBSI” and, together with the Bank, the “Company”) and Andrew McDonald (“Employee”).

Recitals

A. The Bank currently receives the exclusive services of Employee as its employee, and Employee desires that this employment relationship continue.

B. The Bank desires to provide a severance benefit to Employee (i) to encourage Employee to continue employment with the Bank; (ii) to continue obtaining Employee's services in the event of a potential Change in Control (as defined below) of CBSI that may be detrimental to Employee; and (iii) to allow CBSI to maximize the benefits obtainable by its shareholders from any Change in Control.

In consideration of the mutual promises, covenants, agreements and undertakings contained in this Agreement, the parties hereby contract and agree as follows:

Agreement

1.***Term.*** The term of this Agreement ("Term") shall commence as of the date first above written and shall end on the earlier of the termination of Employee's employment in a manner that does not constitute a Termination Event or on the fifth anniversary of the date first above written, unless extended in writing by the parties.

2. ***Severance Benefit***. In the case of a Termination Event, as defined in Section 4:

(a) the Bank shall pay to Employee all salary and benefits earned through the effective date of Employee's termination and a severance benefit ("Severance Benefit") in an amount equal to two times the amount of Employee's then-current annual base salary;

(b) vesting of any stock options and lapse of all restrictions with respect to any restricted stock awards shall occur; and

(c) Bank shall pay or promptly reimburse Employee for the full amount of COBRA premiums incurred by Employee for coverage under the Bank's group health plans for Employee and his or her eligible dependents (the "COBRA Amount") during the period commencing on the effective date of termination and ending on the 18-month anniversary thereof, provided such reimbursement shall immediately cease in the event Employee becomes eligible to participate in the health insurance plan of a subsequent employer. If Employee's termination of employment occurs prior to the effective date of a Change in Control, then, within 60 days following the

Termination Event, the Bank shall provide Employee the COBRA Amount for each month in which Employee and/or Employee's eligible dependents elected to continue healthcare coverage prior to the date of the Change in Control.

Payment of the Severance Benefit shall begin, and vesting and lapse of restrictions described in paragraph 2(b) above shall occur, (i) in the case of a Termination Event described in paragraph 4.1, upon the effective date of termination, and (ii) in the case of a Termination Event described in paragraph 4.2, upon the effective date of the Change in Control which is then pending (or announced within sixty days of the date when the Employee's employment terminated). The Severance Benefit shall be paid over a two year period in equal monthly payments without interest on the last day of each month, beginning with the month in which the Termination Event described in paragraphs 4.1 or 4.2, as the case may be, occurs.

3. ***Other Compensation and Terms of Employment***. Except with respect to the Severance Benefit, this Agreement shall have no effect on the determination of any compensation payable by the Bank to the Employee, or upon any of the other terms of Employee's employment with the Bank.

4. ***Termination Events***. A Termination Event shall be deemed to occur upon, and only upon, one or more of the following:

4.1 Termination of Employee's employment by the Bank without Cause (as defined below) or by Employee for Good Reason (as defined below) within 730 days following the effective date of a Change in Control; or

4.2 Termination of Employee's employment by the Bank without Cause prior to a Change in Control if such termination occurs at any time from and after sixty days prior to the public announcement by the CBSI or any other party of a transaction which will result in a Change in Control; provided that the effective date of the Change in Control occurs within eighteen (18) months of Employee's termination.

5. ***Restrictive Covenant.***

5.1 ***Non-competition***. Employee agrees that, during Employee's employment with the Bank or any of its affiliates, and for a period of two years after commencement of the payment to Employee of the Severance Benefit, Employee will not directly or indirectly, be employed by, perform services for, or act directly or indirectly as an employee, agent, stockholder (other than passive holdings of less than two percent (2%) of the outstanding shares of a publicly-traded company), member, officer, director, co-partner, advisor, or in any other individual or representative capacity, on behalf of a Conflicting Organization in the Bank's Market Area (each capitalized term as defined below); provided that Employee's covenant not to compete as set forth herein shall terminate in the event Employee waives the right to payment of any balance of the Severance Benefit then payable. The provisions restricting competition by Employee may be waived by action of the Board. Employee acknowledges that the Company currently has operations in various counties within the states of Washington and Oregon, that the Company plans to continue to expand its operations and presence within these states and other states, and that as a member of the Company's senior management, Employee's services are integral to these operations and expansion plans. Employee recognizes and agrees that any breach of this covenant by Employee will cause immediate and irreparable injury to the Company, and Employee hereby authorizes recourse by the Bank or CBSI to injunction and/or specific performance, as well as to other legal or equitable remedies to which either may be entitled.

5.2 ***Non-interference.*** During the non-competition period described in paragraph 5.1, Employee shall not (a) solicit or attempt to solicit any other employee of the Company to leave the employ of the Company, or in any way interfere with the relationship between the Company and any other employee of the Company, (b) solicit or attempt to solicit any customer of the Company to cease doing business with the Company or to otherwise divert such customer's business from the Company, or (c) solicit or attempt to solicit any supplier, licensee, or other business relations of the Company to cease doing business with the Company. Solicitation prohibited under this paragraph 5.2 includes solicitation by any means, including, without limitation, meetings, phone calls, letters or other mailings, and electronic and internet communications of any kind, or any other type of conduct intended or reasonably calculated to induce or urge a client, customer, or employee to discontinue, in whole or in part, its employment or business relationship with the Bank.

5.3 ***Confidentiality.*** Unless disclosure is otherwise required by legal or regulatory requirements, Employee shall keep all terms of this Agreement, including the existence of this Agreement and the amount of the Severance Benefit, strictly confidential. Employee shall keep this Agreement in a private location and shall use his or her best efforts to prevent this Agreement from being seen by others, including co-workers.

6. ***Section 280G of the Code.***

6.1 ***Payments.*** In the event that any payments or benefits (whether under this Agreement or otherwise) payable to Employee (a) constitute "parachute payments" within the meaning of Section 280G of the Code, and (b) but for this Section 6, would be subject to the excise tax imposed by Section 4999 of the Code, then such payments and benefits will be either (x) delivered in full, or (y) delivered as to such lesser extent that would result in no portion of such payments and benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income and employment taxes and the excise tax imposed by Section 4999 of the Code (and any equivalent state or local excise taxes), results in the receipt by Employee, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such payments and benefits may be taxable under Section 4999 of the Code. Any reduction in payments and/or benefits required by this provision will occur in the following order: (i) reduction of cash payments; (ii) reduction of vesting acceleration of equity awards; and (iii) reduction of other benefits paid or provided to Employee. In the event that acceleration of vesting of equity awards is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant for equity awards. If two or more equity awards are granted on the same date, each award will be reduced on a pro-rata basis.

6.2 ***Accounting Firm.*** All determinations required to be made under this Section 6, including the reduction payments hereunder and the assumptions to be utilized in arriving at such determinations, will be made by a public accounting firm or other advisor that is retained by the Company in its reasonable discretion (the "Accounting Firm") and whose determination will be conclusive and binding upon Employee and the Company for all purposes. For purposes of making the calculations required by this Section 6, the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Employee agree to furnish to the Accounting Firm such information and documents as the Accounting Firm may reasonably request in order to make a determination under this provision. The Company will bear all costs the Accounting Firm may reasonably incur in connection with any calculations contemplated by this provision. Any determinations by the Accounting Firm with respect to whether any payments or benefits are subject to reduction under this Section 6 will be binding upon the Company and Employee.

7. ***Definitions.***

7.1 ***Bank's Market Area.*** "Bank's Market Area" shall include the following locations, either during Employee's employment or at the time of Employee's termination from employment: (a) any counties in the States of Washington, Oregon and Idaho in which the Bank (or any Bank subsidiary, affiliate, related business entity, successor, or assign) maintains a branch or other office, and all counties bordering on any such county, or (b) any counties in other States in which the Bank (or any Bank subsidiary, affiliate, related business entity, successor, or assign) maintains a branch or other office, and all counties bordering on any such county, or (c) any other county in which the Bank or an affiliate or related business entity has bona fide documented plans to establish a branch or office, as demonstrated by minutes of board of director meetings, regulatory correspondence, or other written communications with third parties (including legal or financial advisers) with respect to such geographic expansion, and of which Employee is aware due to his employment with the Bank.

7.2 ***Cause.*** "Cause" shall mean only (a) willful misfeasance or gross negligence in the performance of Employee's duties, (b) conduct demonstrably and significantly harmful to the Bank (which would include willful violation of any final cease and desist order applicable to the Bank), or (c) conviction of a felony.

7.3 ***Change in Control.*** "Change in Control" shall mean the occurrence of one or more of the following events:

7.3.1 A person, or more than one person acting as a group (as defined in IRC 409A), acquires ownership of stock in CBSI or the Bank that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of, respectively, CBSI or the Bank;

7.3.2 A person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or group) ownership of stock in CBSI or the Bank that comprises thirty percent (30%) or more of the total voting power of the stock of, respectively, CBSI or the Bank;

7.3.3 A majority of the members of the board of directors of either CBSI or the Bank is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the such board of directors before the date of the appointment or election; or

7.3.4 A person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from CBSI or the Bank that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of, respectively, CBSI or the Bank immediately before such acquisition or acquisitions. No Change in Control shall result if the assets are transferred to certain entities controlled directly or indirectly by the shareholders of the transferring entity.

This definition of "Change in Control" is intended to comply with, and shall be interpreted in a manner consistent with, the requirements of Section 409A of the U.S. Internal Revenue Code of 1986, as amended, as U.S. Treasury regulation issued thereunder.

7.4 ***Conflicting Organization.*** "Conflicting Organization" shall mean any person, entity, or organization engaged (or about to become engaged) in a business similar to, or that competes with, the business of the Bank in the Bank's Market Area, including without limitation any bank or financial institution (including without limitation any trust company, finance company, or leasing company) in the Bank's Market Area.

7.5 ***Good Reason.*** "Good Reason" shall mean (a) a material diminution in Employee's base compensation, (b) a material diminution in Employee's authority, duties or responsibilities, or (c) a relocation or transfer of Employee's principal place of employment that would increase Employee's commute on a regular basis by more than forty five (45) miles each way from his current residence to his current office location.

7.6 ***Termination of Employment.*** "Termination," when used in reference to termination of employment, shall mean "separation from service," as defined in Section 409A of the U.S. Internal Revenue Code of 1986, as amended, as U.S. Treasury regulation issued thereunder.

8. ***Specified Employee - Delay in Payments.*** If Employee is a "specified employee," then amounts payable to him under this Agreement on account of a "separation from service" that could cause him to be subject to the gross income inclusion, interest and additional tax provisions of U.S. Internal Revenue Code § 409A(a)(1) shall not be paid until after the end of the sixth calendar month beginning after such separation from service (the "Suspension Period"). Within fourteen (14) calendar days after the end of the Suspension Period, the Company shall make a lump sum payment to Employee in cash in an amount equal to the sum of all payments delayed because of the preceding sentence. Thereafter, Employee shall receive any remaining payments under this Agreement as if the immediately preceding provisions of this paragraph 8 were not a part of the Agreement. For purposes of this Agreement, the terms "specified employee" and "separation from service" shall have the meanings given to those terms in U.S. Internal Revenue Code § 409A and the Treasury regulations issued thereunder."

9. ***Miscellaneous.***

9.1 ***Amendment.*** This Agreement may be modified or amended only upon amendment in writing signed by both parties. Employee and the Company understand, acknowledge, and agree that Employee and the Bank or CBSI have entered into other agreements which contain either change-in-control terms or restrictive covenants, including without limitation the Supplemental Executive Retirement Plan Agreement (and any amendments or restatements thereto). The parties understand, acknowledge, and agree that the terms of this Agreement are not intended by Employee, the Bank, or CBSI, and shall not be interpreted by any party, court or arbitrator, to supersede, modify, amend, change, negate, cancel or render null or void any other change-in-control terms or restrictive covenants between the parties contained in any other agreements, including without limitation, any change-in-control terms or restrictive covenants contained in the Supplemental Executive Retirement Plan Agreement (or any amendments or restatements thereof).

9.2 ***Binding Effect.*** This Agreement shall bind and inure to the benefit of the heirs, legal representatives, successors, and assign of the parties.

9.3 ***Enforceability.*** If an arbitrator or a court of competent jurisdiction shall find any provision of this Agreement illegal or unenforceable, the arbitrator or court may reform such provision to the extent necessary to render the otherwise unenforceable provision, and the rest of the Agreement, valid and enforceable, and so as to permit maximum restrictions that are legal and enforceable to be applied to the Employee's ability to compete with the Bank. If an arbitrator or court declines to amend any such provision as provided herein, the invalidity or unenforceability of any such provision shall not affect the validity or enforceability of the remaining provisions, which shall be enforced as if the offending provision had not been included in this Agreement.

9.4 ***Governing Law; Venue.*** This Agreement is made with reference to and is intended to be construed in accordance with the laws of the State of Washington. Venue for any action arising out of or concerning this Agreement shall lie in Pierce County, Washington. In the event of a dispute under this Agreement, the disputes shall be arbitrated pursuant to the Superior Court Mandatory Arbitration Rules ("MAR") adopted by the Washington State Supreme Court, irrespective of the amount in controversy. This Agreement shall be deemed as stipulation to that effect pursuant to MAR 1.2 and 8.1. The arbitrator, in his or her discretion, may award attorney's fees to the prevailing party or parties.

9.5 ***Notices.*** Any notice required to be given under this Agreement to either party shall be given by personal service or by depositing a copy thereof in the United States registered or certified mail, postage prepaid, addressed to the following address or such other address as addressee shall designate in writing:

Company:

Columbia Bank
1301 'A' Street, Ste. 800
Tacoma, WA 98402-4200
Attn: Chief Human Resources Officer

Employee: Andrew McDonald

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the date first above written.

BANK: COLUMBIA STATE BANK

By /s/ Hadley S. Robbins
Hadley S. Robbins
President and Chief Executive Officer

EMPLOYEE:

By /s/ Andrew McDonald
Andrew McDonald
EVP and Chief Credit Officer

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Section 3: EX-10.2 (2ND AMENDMENT SPLIT DOLLAR AGREEMENT - LAWSON 2019)

EXHIBIT 10.2

SECOND AMENDMENT TO THE

COLUMBIA STATE BANK

ENDORSEMENT METHOD SPLIT DOLLAR AGREEMENT

(By and Between COLUMBIA STATE BANK and DAVID LAWSON)

This Second Amendment to the Columbia State Bank Endorsement Method Split Dollar Agreement (hereinafter “Second Amendment”) is made and entered into effective as of May 31, 2019, by and between Columbia State Bank (“Bank”) and David Lawson (“Insured"). This Second Amendment hereby amends the June 1, 2013 Columbia State Bank Endorsement Method Split Dollar Agreement by and between the parties (“Agreement”, as amended), as follows:

Paragraph 6A of the Original Agreement shall be deleted in its entirety and shall be replaced with the following:

A. In the event Insured has not yet Separated From Service at the time of death, then, upon Insured’s death, Insured’s Beneficiary (ies) shall be entitled to receive an amount equal to the lesser of the following:

(i) One Hundred percent (100%) NAR; or

(ii) Ten (10) times the annual Executive Benefit calculated as would be due under the First Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement between the parties with an effective date of February 27, 2015 ("SERP Agreement", as amended), and determined as of the later of Insured's date of death or the attainment of the Normal Retirement Age. In addition, if Insured dies before attaining the Normal Retirement Age, the Executive Benefit shall reflect an assumed annual Base Salary increase of Three Percent (3%) on each anniversary of Insured's death until such time as Insured would have attained the Normal Retirement Age. Any capitalized term that is not defined in the Agreement or any amendment thereto shall be defined as in the SERP Agreement.

To the extent that any paragraph, term, or provision of the Agreement is not specifically amended herein, or in any other amendment thereto, said paragraph, term, or provision shall remain in full force and effect as set forth in said Agreement.

IN WITNESS WHEREOF, the Insured and a duly authorized Bank officer have signed this Second Amendment as of the written date.

COLUMBIA STATE BANK

/s/ Clint Stein Date: May 31, 2019
Authorized Bank Officer

/s/ David Lawson Date: May 31, 2019
Insured- Signature

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Section 4: EX-10.3 (2ND AMENDMENT SPLIT DOLLAR AGREEMENT - BARUFFI 2019)

EXHIBIT 10.3

SECOND AMENDMENT TO THE

COLUMBIA STATE BANK

ENDORSEMENT METHOD SPLIT DOLLAR AGREEMENT

(By and Between COLUMBIA STATE BANK and KUMI BARUFFI)

This Second Amendment to the Columbia State Bank Endorsement Method Split Dollar Agreement (hereinafter "Second Amendment") is made and entered into effective as of May 31, 2019, by and between Columbia State Bank ("Bank") and Kumi Baruffi ("Insured"). This Second Amendment hereby amends the March 2, 2015 Columbia State Bank Endorsement Method Split Dollar Agreement by and between the parties ("Agreement", as amended), as follows:

Paragraph 6A of the Original Agreement shall be deleted in its entirety and shall be replaced with the following:

A. In the event Insured has not yet Separated From Service at the time of death, then, upon Insured's death, Insured's Beneficiary (ies) shall be entitled to receive an amount equal to the lesser of the following:

(i) One Hundred percent (100%) NAR; or

(ii) Ten (10) times the annual Executive Benefit calculated as would be due under the Columbia State Bank

Supplemental Executive Retirement Plan Agreement between the parties with an effective date of February 27, 2015
("SERP Agreement", as amended), and determined as of the later of Insured's date of death or the attainment of the Normal Retirement Age. In addition, if Insured dies before attaining the Normal Retirement Age, the Executive Benefit shall reflect an assumed annual Base Salary increase of
Three Percent (3%) on each anniversary of Insured's death until such time as Insured would have attained the Normal Retirement Age. Any capitalized term that is not defined in the Agreement or any amendment thereto shall be defined as in the SERP Agreement.

To the extent that any paragraph, term, or provision of the Agreement is not specifically amended herein, or in any other amendment thereto, said paragraph, term, or provision shall remain in full force and effect as set forth in said Agreement.

IN WITNESS WHEREOF, the Insured and a duly authorized Bank officer have signed this Second Amendment as of the written date.

COLUMBIA STATE BANK

/s/ David Lawson Date: May 31, 2019
Authorized Bank Officer

/s/ Kumi Baruffi Date: May 31, 2019
Insured- Signature

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Section 5: EX-10.4 (3RD AMENDMENT SPLIT DOLLAR - STEIN 2019)

EXHIBIT 10.4

THIRD AMENDMENT TO THE
COLUMBIA STATE BANK
ENDORSEMENT METHOD SPLIT DOLLAR AGREEMENT

(By and Between COLUMBIA STATE BANK and CLINTON STEIN)

This Third Amendment to the Columbia State Bank Endorsement Method Split Dollar Agreement (hereinafter "Third Amendment") is made and entered into effective as of May 31, 2019, by and between Columbia State Bank ("Bank") and Clinton Stein ("Insured"). This Third Amendment hereby amends the June 1, 2013 Columbia State Bank Endorsement Method Split Dollar Agreement by and between the parties ("Agreement", and as previously amended), as follows:

Paragraph 6A of the Original Agreement shall be deleted in its entirety and shall be replaced with the following:

A. In the event Insured has not yet Separated From Service at the time of death, then, upon Insured's death, Insured's Beneficiary (ies) shall be entitled to receive an amount equal to the lesser of the following:

(i) One Hundred percent (100%) NAR; or

(ii) Ten (10) times the "Target Benefit Amount" as defined in Paragraph 2.26 of the First Amended and Restated Columbia State Bank Supplemental Executive Retirement Plan Agreement between the parties and with an effective date of February 27, 2015 ("SERP Agreement", as amended). In addition, if Insured dies before attaining the Normal Retirement Age, the Target Benefit Amount shall reflect an assumed annual Base Salary increase of Three Percent (3%) on each anniversary of Insured's death until such time as they would have attained the Normal Retirement Age. Any capitalized term that is not defined in the Agreement or any amendment thereto shall be defined as it is in the SERP Agreement.

To the extent that any paragraph, term, or provision of the Agreement is not specifically amended herein, or in any other amendment thereto, said paragraph, term, or provision shall remain in full force and effect as set forth in said Agreement.

IN WITNESS WHEREOF, the Insured and a duly authorized Bank officer have signed this Third Amendment as of the written date.

COLUMBIA STATE BANK

/s/ David Lawson Date: May 31, 2019
Authorized Bank Officer

/s/ Clint Stein Date: May 31, 2019
Insured- Signature

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Section 6: EX-31.1 (CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

EXHIBIT 31.1

CERTIFICATION

I, Hadley S. Robbins, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Columbia Banking System, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ HADLEY S. ROBBINS

Hadley S. Robbins
President and
Chief Executive Officer

Date: August 1, 2019

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Section 7: EX-31.2 (CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

EXHIBIT 31.2

CERTIFICATION

I, Gregory A. Sigrist, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Columbia Banking System, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ GREGORY A. SIGRIST

Gregory A. Sigrist
Executive Vice President and
Chief Financial Officer

Date: August 1, 2019

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Section 8: EX-32 (CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

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 June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Hadley S. Robbins, President and Chief Executive Officer, and Gregory A. Sigrist, Executive Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ HADLEY S. ROBBINS

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

/s/ GREGORY A. SIGRIST

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

Dated: August 1, 2019

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