

COLUMBIA BANKING SYSTEM INC  
Form 10-Q  
May 05, 2016

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016.

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 (I.R.S. Employer  
incorporation or organization) Identification Number)

1301 A Street 98402-2156  
Tacoma, Washington (Address of principal executive offices) (Zip Code)  
(253) 305-1900  
(Issuer's telephone number, including area code)  
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

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

The number of shares of common stock outstanding at April 30, 2016 was 58,004,075.



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## PART I - FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEETS

Columbia Banking System, Inc.

(Unaudited)

	March 31, 2016	December 31, 2015
(in thousands)		
<b>ASSETS</b>		
Cash and due from banks	\$ 150,683	\$ 166,929
Interest-earning deposits with banks	38,248	8,373
Total cash and cash equivalents	188,931	175,302
Securities available for sale at fair value (amortized cost of \$2,156,999 and \$2,157,610, respectively)	2,186,166	2,157,694
Federal Home Loan Bank stock at cost	10,241	12,722
Loans held for sale	3,681	4,509
Loans, net of unearned income of (\$39,410) and (\$42,373), respectively	5,877,283	5,815,027
Less: allowance for loan and lease losses	69,264	68,172
Loans, net	5,808,019	5,746,855
FDIC loss-sharing asset	5,954	6,568
Interest receivable	29,304	27,877
Premises and equipment, net	158,101	164,239
Other real estate owned	12,427	13,738
Goodwill	382,762	382,762
Other intangible assets, net	21,994	23,577
Other assets	228,352	235,854
Total assets	\$ 9,035,932	\$ 8,951,697
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Noninterest-bearing	\$ 3,553,468	\$ 3,507,358
Interest-bearing	4,043,481	3,931,471
Total deposits	7,596,949	7,438,829
Federal Home Loan Bank advances	6,521	68,531
Securities sold under agreements to repurchase	73,839	99,699
Other liabilities	97,835	102,510
Total liabilities	7,775,144	7,709,569
Commitments and contingent liabilities (Note 10)		
Shareholders' equity:		
	March 31, 2016	December 31, 2015
(in thousands)		
Preferred stock (no par value)	2,000	2,000
Authorized shares	9	9
Issued and outstanding	2,217	2,217
Common stock (no par value)	115,000	115,000
Authorized shares	58,008	57,724
Issued and outstanding	991,026	990,281
Retained earnings	255,202	255,925
Accumulated other comprehensive income (loss)	12,343	(6,295)

Total shareholders' equity	1,260,788	1,242,128
Total liabilities and shareholders' equity	\$9,035,932	\$8,951,697

See accompanying Notes to unaudited Consolidated Financial Statements.

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## CONSOLIDATED STATEMENTS OF INCOME

Columbia Banking System, Inc.

(Unaudited)

	Three Months Ended March 31,	
	2016	2015 (1)
	(in thousands except per share amounts)	
Interest Income		
Loans	\$70,316	\$70,822
Taxable securities	8,017	7,526
Tax-exempt securities	2,803	3,042
Deposits in banks	38	27
Total interest income	81,174	81,417
Interest Expense		
Deposits	742	748
Federal Home Loan Bank advances	124	159
Other borrowings	138	146
Total interest expense	1,004	1,053
Net Interest Income	80,170	80,364
Provision for loan and lease losses	5,254	1,209
Net interest income after provision for loan and lease losses	74,916	79,155
Noninterest Income		
Deposit account and treasury management fees (1)	6,989	6,860
Card revenue (1)	5,652	5,363
Financial services and trust revenue (1)	2,821	3,124
Loan revenue (1)	2,262	2,603
Merchant processing revenue	2,102	2,040
Bank owned life insurance	1,116	1,078
Investment securities gains, net	373	721
Change in FDIC loss-sharing asset	(1,103)	) 150
Other (1)	434	828
Total noninterest income	20,646	22,767
Noninterest Expense		
Compensation and employee benefits	36,319	39,100
Occupancy	10,173	7,993
Merchant processing expense	1,033	977
Advertising and promotion	842	931
Data processing	4,146	4,984
Legal and professional fees	1,325	2,507
Taxes, licenses and fees	1,290	1,232
Regulatory premiums	1,141	1,221
Net cost (benefit) of operation of other real estate owned	104	(1,246)
Amortization of intangibles	1,583	1,817
Other	7,118	7,218
Total noninterest expense	65,074	66,734
Income before income taxes	30,488	35,188

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Income tax provision	9,229	10,827
Net Income	\$21,259	\$24,361
Earnings per common share		
Basic	\$0.37	\$0.42
Diluted	\$0.37	\$0.42
Dividends paid per common share	\$0.38	\$0.30
Weighted average number of common shares outstanding	57,114	56,965
Weighted average number of diluted common shares outstanding	57,125	56,978

(1) Reclassified to conform to the current period's presentation. Reclassifications consisted of disaggregating fee revenue previously presented in 'Service charges and other fees' and certain revenue previously presented in 'Other' into the presentation above. The Company made these reclassifications to provide additional information about its sources of noninterest income. There was no change to total noninterest income as previously reported as a result of these reclassifications.

See accompanying Notes to unaudited Consolidated Financial Statements.

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## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Columbia Banking System, Inc.

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
	(in thousands)	
Net income	\$21,259	\$24,361
Other comprehensive income (loss), net of tax:		
Unrealized gain from securities:		
Net unrealized holding gain from available for sale securities arising during the period, net of tax of (\$10,686) and (\$5,338)	18,770	9,376
Reclassification adjustment of net gain from sale of available for sale securities included in income, net of tax of \$135 and \$262	(238 )	(459 )
Net unrealized gain from securities, net of reclassification adjustment	18,532	8,917
Pension plan liability adjustment:		
Net unrealized loss from unfunded defined benefit plan liability arising during the period, net of tax of \$0 and \$159	—	(280 )
Amortization of unrecognized net actuarial loss included in net periodic pension cost, net of tax of (\$61) and (\$16)	106	28
Pension plan liability adjustment, net	106	(252 )
Other comprehensive income	18,638	8,665
Total comprehensive income	\$39,897	\$33,026

See accompanying Notes to unaudited Consolidated Financial Statements.



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## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Columbia Banking System, Inc.

(Unaudited)

	Preferred Stock Number of Shares (in thousands)	Common Stock Number of Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at January 1, 2016	9 \$ 2,217	57,724	\$ 990,281	\$ 255,925	\$ (6,295 )	\$ 1,242,128
Net income	—	—	—	21,259	—	21,259
Other comprehensive income	—	—	—	—	18,638	18,638
Issuance of common stock - stock option and other plans	—	20	598	—	—	598
Issuance of common stock - restricted stock awards, net of canceled awards	—	299	1,180	—	—	1,180
Purchase and retirement of common stock	—	(35 )	(1,033 )	—	—	(1,033 )
Preferred dividends	—	—	—	(39 )	—	(39 )
Cash dividends paid on common stock	—	—	—	(21,943 )	—	(21,943 )
Balance at March 31, 2016	9 \$ 2,217	58,008	\$ 991,026	\$ 255,202	\$ 12,343	\$ 1,260,788
Balance at January 1, 2015	9 \$ 2,217	57,437	\$ 985,839	\$ 234,498	\$ 5,621	\$ 1,228,175
Net income	—	—	—	24,361	—	24,361
Other comprehensive income	—	—	—	—	8,665	8,665
Issuance of common stock - stock option and other plans	—	17	428	—	—	428
Issuance of common stock - restricted stock awards, net of canceled awards	—	273	862	—	—	862
Purchase and retirement of common stock	—	(28 )	(781 )	—	—	(781 )
Preferred dividends	—	—	—	(31 )	—	(31 )
Cash dividends paid on common stock	—	—	—	(17,236 )	—	(17,236 )
Balance at March 31, 2015	9 \$ 2,217	57,699	\$ 986,348	\$ 241,592	\$ 14,286	\$ 1,244,443

See accompanying Notes to unaudited Consolidated Financial Statements.

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## CONSOLIDATED STATEMENTS OF CASH FLOWS

Columbia Banking System, Inc.

(Unaudited)

	Three Months Ended March 31,	
	2016	2015 (1)
	(in thousands)	
Cash Flows From Operating Activities		
Net income	\$21,259	\$24,361
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan and lease losses	5,254	1,209
Stock-based compensation expense	1,180	862
Depreciation, amortization and accretion	10,798	7,735
Investment securities gain, net	(373)	(721)
Net realized (gain) loss on sale of other assets	106	(306)
Net realized (gain) loss on sale and valuation adjustments of other real estate owned (1)	90	(1,539)
Originations of loans held for sale (1)	(19,174)	(14,890)
Proceeds from sales of loans held for sale (1)	20,002	12,461
Net change in:		
Interest receivable	(1,427)	(1,286)
Interest payable	(55)	(79)
Other assets	(3,731)	(4,531)
Other liabilities	(4,619)	3,680
Net cash provided by operating activities	29,310	26,956
Cash Flows From Investing Activities		
Loans originated and acquired, net of principal collected	(64,056)	(12,443)
Purchases of:		
Securities available for sale	(95,686)	(11,362)
Premises and equipment	(445)	(4,032)
Federal Home Loan Bank stock	(10,520)	—
Proceeds from:		
FDIC reimbursement on loss-sharing asset	258	1,138
Sales of securities available for sale	38,876	57,243
Principal repayments and maturities of securities available for sale	52,422	54,451
Sales of premises and equipment and loans held for investment	1,911	7,384
Redemption of Federal Home Loan Bank stock (1)	13,001	361
Sales of other real estate and other personal property owned (1)	1,326	5,067
Payments to FDIC related to loss-sharing asset	(611)	(479)
Net cash provided by (used in) investing activities	(63,524)	97,328
Cash Flows From Financing Activities		
Net increase in deposits	158,120	150,243
Net decrease in sweep repurchase agreements	(25,860)	(8,228)
Proceeds from:		
Federal Home Loan Bank advances	165,000	624,000
Exercise of stock options	598	428
Payments for:		
Repayment of Federal Home Loan Bank advances	(227,000)	(804,000)
Common stock dividends	(21,943)	(17,236)
Preferred stock dividends	(39)	(31)

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Repayment of other borrowings	—	(8,248 )
Purchase and retirement of common stock	(1,033 )	(781 )
Net cash provided by (used in) financing activities	47,843	(63,853 )
Increase in cash and cash equivalents	13,629	60,431
Cash and cash equivalents at beginning of period	175,302	188,170
Cash and cash equivalents at end of period	\$188,931	\$248,601

Supplemental Information:

Cash paid during the period for:

Cash paid for interest	\$1,059	\$1,132
Cash paid for income tax	\$6,350	\$13
Non-cash investing and financing activities		
Loans transferred to other real estate owned	\$105	\$4,692

(1) Reclassified to conform to the current period's presentation. There were no changes to cash flows from operating, investing, or financing activities as a result of these reclassifications.

See accompanying Notes to unaudited Consolidated Financial Statements.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Columbia Banking System, Inc.

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The interim unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. The consolidated financial statements include the accounts of Columbia Banking System, Inc. (“we”, “our”, “Columbia” or the “Company”) and its subsidiaries, including its wholly owned banking subsidiary Columbia State Bank (“Columbia Bank” or the “Bank”) and Columbia Trust Company (“Columbia Trust”). All intercompany transactions and accounts have been eliminated in consolidation. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of the results for the interim periods presented have been included. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of results to be anticipated for the year ending December 31, 2016. The accompanying interim unaudited consolidated financial statements should be read in conjunction with the financial statements and related notes contained in the Company’s 2015 Annual Report on Form 10-K.

Because of reclassifications, changes occurred in the manner in which certain comparative period noninterest income items were presented in the unaudited consolidated statements of income. Specifically, fee revenue previously presented as ‘Service charges and other fees’ and certain fee revenue previously presented as ‘Other’ were reclassified to conform to the current period presentation. The Company made these presentation changes to provide additional information about its sources of noninterest income. There was no change to total noninterest income as previously reported as a result of these reclassifications.

Significant Accounting Policies

The significant accounting policies used in preparation of our consolidated financial statements are disclosed in our 2015 Annual Report on Form 10-K. There have not been any changes in our significant accounting policies compared to those contained in our 2015 Form 10-K disclosure for the year ended December 31, 2015.

2. Accounting Pronouncements Recently Issued

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-09, Improvements to Employee Share-Based Payment Accounting. The amendments included in this ASU simplify several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The amendments in ASU 2016-09 are effective for the first interim or annual period beginning after December 15, 2016. Early adoption is permitted. The Company is assessing the impact that this guidance will have on its consolidated financial statements as well as whether to early adopt this ASU.

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 and corresponding right-of-use assets for all leases with lease terms greater than 12 months. 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. Early adoption is permitted. The Company is assessing the impact that this guidance will have on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in ASU 2016-01 require all equity investments to be measured at fair value with changes in the fair value recognized through net income. The amendments in ASU 2016-01 also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, the amendments in this Update eliminate the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. The amendments in ASU 2016-01 are effective for the first interim or annual period beginning after December 15, 2017. The Company is assessing the impact that this guidance will have on its consolidated financial statements but does not

expect the impact to be material.

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In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. The guidance in this update supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the codification. For public companies, this update was to be effective for interim and annual periods beginning after December 15, 2016. However, in August 2015, the FASB issued ASU 2015-14, which delayed the effective date of ASU 2014-09 by one year and permits companies to voluntarily adopt the new standard as of the original effective date. In March 2016, the FASB issued ASU 2016-08 and ASU 2016-10 to provide implementation guidance for ASU 2014-09. The Company is assessing the impact that this guidance will have on its consolidated financial statements but does not expect the impact to be material.

## 3. Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
March 31, 2016				
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	\$ 1,319,714	\$ 14,247	\$(3,861 )	\$ 1,330,100
State and municipal securities	477,544	14,257	(414 )	491,387
U.S. government agency and government-sponsored enterprise securities	353,910	5,031	—	358,941
U.S. government securities	547	—	—	547
Other securities	5,284	53	(146 )	5,191
Total	\$ 2,156,999	\$ 33,588	\$(4,421 )	\$ 2,186,166
December 31, 2015				
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	\$ 1,296,955	\$ 4,525	\$(14,991 )	\$ 1,286,489
State and municipal securities	480,417	12,690	(938 )	492,169
U.S. government agency and government-sponsored enterprise securities	354,515	1,113	(1,846 )	353,782
U.S. government securities	20,439	—	(302 )	20,137
Other securities	5,284	24	(191 )	5,117
Total	\$ 2,157,610	\$ 18,352	\$(18,268 )	\$ 2,157,694

Proceeds from sales of securities available for sale were \$38.9 million and \$57.2 million for the three months ended March 31, 2016 and 2015, respectively. The following table provides the gross realized gains and losses on the sales of securities for the periods indicated:

	Three Months Ended March 31, 2016	2015
	(in thousands)	
Gross realized gains	\$ 373	\$ 730
Gross realized losses	—	(9 )
Net realized gains	\$ 373	\$ 721

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The scheduled contractual maturities of investment securities available for sale at March 31, 2016 are presented as follows:

	March 31, 2016	
	Amortized Cost	Fair Value
	(in thousands)	
Due within one year	\$39,056	\$39,243
Due after one year through five years	435,423	440,733
Due after five years through ten years	711,190	723,977
Due after ten years	966,046	977,022
Other securities with no stated maturity	5,284	5,191
Total investment securities available-for-sale	\$2,156,999	\$2,186,166

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:

	March 31, 2016 (in thousands)
Washington and Oregon State to secure public deposits	\$ 339,424
Federal Reserve Bank to secure borrowings	48,879
Other securities pledged	156,551
Total securities pledged as collateral	\$ 544,854

The following table shows the gross unrealized losses and fair value of the Company's investments 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 March 31, 2016 and December 31, 2015:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
March 31, 2016						
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	\$95,313	\$(533)	\$190,975	\$(3,328)	\$286,288	\$(3,861)
State and municipal securities	25,702	(125)	19,010	(289)	44,712	(414)
U.S. government agency and government-sponsored enterprise securities	4,063	—	500	—	4,563	—
Other securities	—	—	2,810	(146)	2,810	(146)
Total	\$125,078	\$(658)	\$213,295	\$(3,763)	\$338,373	\$(4,421)
December 31, 2015						
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	\$664,509	\$(7,610)	\$214,325	\$(7,381)	\$878,834	\$(14,991)
State and municipal securities	48,261	(358)	31,383	(580)	79,644	(938)
U.S. government agency and government-sponsored enterprise securities	193,400	(1,128)	40,034	(718)	233,434	(1,846)
U.S. government securities	10,343	(136)	9,794	(166)	20,137	(302)

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Other securities	2,300	(15	)	2,780	(176	)	5,080	(191	)
Total	\$918,813	\$ (9,247	)	\$298,316	\$ (9,021	)	\$1,217,129	\$ (18,268	)

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At March 31, 2016, there were 74 U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations securities in an unrealized loss position, of which 45 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 March 31, 2016.

At March 31, 2016, there were 40 state and municipal government securities in an unrealized loss position, of which 20 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 March 31, 2016, 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 March 31, 2016.

At March 31, 2016, there were two U.S. government agency and government-sponsored enterprise securities in an unrealized loss position, of which one was 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 March 31, 2016.

At March 31, 2016, there was one other security in an unrealized loss position, which was in a continuous unrealized loss position for 12 months or more. The decline in fair value is attributable to changes in interest rates and the additional risk premium investors are demanding for investment securities with these characteristics. The Company does not consider this investment to be other-than-temporarily impaired at March 31, 2016 as it has the intent and ability to hold the investment for sufficient time to allow for recovery in the market value.

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 purchased credit impaired loans. Purchased loans for which there was, at acquisition date, evidence of credit deterioration since their origination and it was probable that we would be unable to collect all contractually required payments are referred to as purchased credit impaired loans, or "PCI loans."

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

	March 31, 2016			December 31, 2015		
	Loans, excluding PCI loans (in thousands)	PCI Loans	Total	Loans, excluding PCI loans	PCI Loans	Total
Commercial business	\$2,401,193	\$34,474	\$2,435,667	\$2,362,575	\$34,848	\$2,397,423
Real estate:						
One-to-four family residential	175,050	22,720	197,770	176,295	23,938	200,233
Commercial and multifamily residential	2,520,352	93,979	2,614,331	2,491,736	99,389	2,591,125
Total real estate	2,695,402	116,699	2,812,101	2,668,031	123,327	2,791,358
Real estate construction:						
One-to-four family residential	133,447	2,163	135,610	135,874	2,278	138,152
Commercial and multifamily residential	183,548	1,618	185,166	167,413	1,630	169,043
Total real estate construction	316,995	3,781	320,776	303,287	3,908	307,195
Consumer	329,902	18,247	348,149	342,601	18,823	361,424
Less: Net unearned income	(39,410 )	—	(39,410 )	(42,373 )	—	(42,373 )
Total loans, net of unearned income	5,704,082	173,201	5,877,283	5,634,121	180,906	5,815,027
Less: Allowance for loan and lease losses	(56,200 )	(13,064 )	(69,264 )	(54,446 )	(13,726 )	(68,172 )
Total loans, net	\$5,647,882	\$160,137	\$5,808,019	\$5,579,675	\$167,180	\$5,746,855
Loans held for sale	\$3,681	\$—	\$3,681	\$4,509	\$—	\$4,509

At March 31, 2016 and December 31, 2015, the Company had no material foreign activities. Substantially all of the Company's loans and unfunded commitments are geographically concentrated in its service areas within the states of Washington, Oregon and Idaho.

The Company has made loans to executive officers and directors of the Company and related interests. These loans are made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than the normal risk of collectability. The aggregate dollar amount of these loans was \$9.9 million at March 31, 2016 and \$10.0 million at December 31, 2015. During the first three months of 2016, there were \$55 thousand in advances and \$96 thousand in repayments.

At March 31, 2016 and December 31, 2015, \$2.21 billion and \$2.22 billion of commercial and residential real estate loans were pledged as collateral on Federal Home Loan Bank of Des Moines ("FHLB") borrowings and additional borrowing capacity. The Company has also pledged \$50.2 million and \$50.1 million of commercial loans to the Federal Reserve Bank for additional borrowing capacity at March 31, 2016 and December 31, 2015, respectively.

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The following is an analysis of nonaccrual loans as of March 31, 2016 and December 31, 2015:

	March 31, 2016		December 31, 2015	
	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance
	Nonaccrual Loans	Nonaccrual Loans	Nonaccrual Loans	Nonaccrual Loans
	(in thousands)			
Commercial business:				
Secured	\$22,452	\$ 31,039	\$9,395	\$ 15,688
Unsecured	107	331	42	256
Real estate:				
One-to-four family residential	730	1,702	820	1,866
Commercial & multifamily residential:				
Commercial land	238	247	349	332
Income property	2,897	3,185	2,843	3,124
Owner occupied	4,982	7,473	6,321	8,943
Real estate construction:				
One-to-four family residential:				
Land and acquisition	205	231	362	385
Residential construction	563	563	566	679
Consumer	4,717	4,985	766	990
Total	\$36,891	\$ 49,756	\$21,464	\$ 32,263

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Loans, excluding purchased credit impaired loans

The following is an aging of the recorded investment of the loan portfolio as of March 31, 2016 and December 31, 2015:

	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
March 31, 2016	(in thousands)						
Commercial business:							
Secured	\$2,277,121	\$4,148	\$311	\$	—\$4,459	\$22,452	\$2,304,032
Unsecured	91,785	684	—	—	684	107	92,576
Real estate:							
One-to-four family residential	170,846	686	62	—	748	730	172,324
Commercial & multifamily residential:							
Commercial land	218,925	—	—	—	—	238	219,163
Income property	1,321,566	—	—	—	—	2,897	1,324,463
Owner occupied	946,635	4,577	—	—	4,577	4,982	956,194
Real estate construction:							
One-to-four family residential:							
Land and acquisition	12,915	—	—	—	—	205	13,120
Residential construction	119,125	—	—	—	—	563	119,688
Commercial & multifamily residential:							
Income property	86,584	—	—	—	—	—	86,584
Owner occupied	94,743	—	—	—	—	—	94,743
Consumer	314,197	1,541	740	—	2,281	4,717	321,195
Total	\$5,654,442	\$11,636	\$1,113	\$	—\$12,749	\$36,891	\$5,704,082
December 31, 2015	(in thousands)						
Commercial business:							
Secured	\$2,241,069	\$11,611	\$617	\$	—\$12,228	\$9,395	\$2,262,692
Unsecured	94,867	39	—	—	39	42	94,948
Real estate:							
One-to-four family residential	170,913	1,637	66	—	1,703	820	173,436
Commercial & multifamily residential:							
Commercial land	212,740	69	—	—	69	349	213,158
Income property	1,305,502	1,750	684	—	2,434	2,843	1,310,779
Owner occupied	939,396	599	—	—	599	6,321	946,316
Real estate construction:							
One-to-four family residential:							
Land and acquisition	14,388	—	—	—	—	362	14,750
Residential construction	119,809	—	—	—	—	566	120,375
Commercial & multifamily residential:							
Income property	83,634	—	—	—	—	—	83,634
Owner occupied	81,671	—	—	—	—	—	81,671
Consumer	328,219	2,597	780	—	3,377	766	332,362

Total	\$5,592,208	\$ 18,302	\$ 2,147	\$	—\$20,449	\$ 21,464	\$5,634,121
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The following is an analysis of impaired loans as of March 31, 2016 and December 31, 2015:

	Recorded Investment of Loans Collectively for Contingency Provision (in thousands)	Recorded Investment of Loans 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
<b>March 31, 2016</b>							
<b>Commercial business:</b>							
Secured	\$2,285,351	\$ 18,681	\$11,861	\$11,996	\$ 2,500	\$6,820	\$12,314
Unsecured	92,576	—	—	—	—	—	—
<b>Real estate:</b>							
One-to-four family residential	171,660	664	—	—	—	664	1,093
<b>Commercial &amp; multifamily residential:</b>							
Commercial land	219,163	—	—	—	—	—	—
Income property	1,322,410	2,053	—	—	—	2,053	2,257
Owner occupied	951,216	4,978	—	—	—	4,978	7,390
<b>Real estate construction:</b>							
<b>One-to-four family residential:</b>							
Land and acquisition	12,810	310	—	—	—	310	334
Residential construction	119,126	562	—	—	—	562	562
<b>Commercial &amp; multifamily residential:</b>							
Income property	86,584	—	—	—	—	—	—
Owner occupied	94,743	—	—	—	—	—	—
Consumer	319,628	1,567	15	15	15	1,552	1,634
<b>Total</b>	<b>\$5,675,267</b>	<b>\$ 28,815</b>	<b>\$11,876</b>	<b>\$12,011</b>	<b>\$ 2,515</b>	<b>\$16,939</b>	<b>\$25,584</b>
<b>December 31, 2015</b>							
<b>Commercial business:</b>							
Secured	\$2,257,168	\$ 5,524	\$690	\$ 718	\$ 321	\$4,834	\$6,455
Unsecured	94,948	—	—	—	—	—	—
<b>Real estate:</b>							
One-to-four family residential	172,150	1,286	314	339	314	972	1,397
<b>Commercial &amp; multifamily residential:</b>							
Commercial land	213,158	—	—	—	—	—	—
Income property	1,308,673	2,106	—	—	—	2,106	2,311
Owner occupied	940,261	6,055	—	—	—	6,055	8,528
<b>Real estate construction:</b>							
<b>One-to-four family residential:</b>							
Land and acquisition	14,283	467	—	—	—	467	490