

COLUMBIA BANKING SYSTEM INC
Form 10-Q
May 06, 2015

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, 2015.

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 issuer 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 (Zip Code)
(Address of principal executive offices)
(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, 2015 was 57,692,047.

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

Columbia Banking System, Inc.

(Unaudited)

	March 31, 2015	December 31, 2014
(in thousands)		
ASSETS		
Cash and due from banks	\$177,026	\$171,221
Interest-earning deposits with banks	71,575	16,949
Total cash and cash equivalents	248,601	188,170
Securities available for sale at fair value (amortized cost of \$1,981,977 and \$2,087,069, respectively)	2,007,159	2,098,257
Federal Home Loan Bank stock at cost	33,004	33,365
Loans held for sale	3,545	1,116
Loans, net of unearned income of (\$53,867) and (\$59,374), respectively	5,450,895	5,445,378
Less: allowance for loan and lease losses	70,234	69,569
Loans, net	5,380,661	5,375,809
FDIC loss-sharing asset	14,644	15,174
Interest receivable	29,088	27,802
Premises and equipment, net	172,958	172,090
Other real estate owned	23,299	22,190
Goodwill	382,537	382,537
Other intangible assets, net	28,642	30,459
Other assets	228,764	231,877
Total assets	\$8,552,902	\$8,578,846
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	\$3,260,376	\$2,651,373
Interest-bearing	3,814,589	4,273,349
Total deposits	7,074,965	6,924,722
Federal Home Loan Bank advances	36,559	216,568
Securities sold under agreements to repurchase	96,852	105,080
Other borrowings	—	8,248
Other liabilities	100,083	96,053
Total liabilities	7,308,459	7,350,671
Commitments and contingent liabilities		
Shareholders' equity:		
	March 31, 2015	December 31, 2014
(in thousands)		
Preferred stock (no par value)		
Authorized shares	2,000	2,000
Issued and outstanding	9	9
Common stock (no par value)		
Authorized shares	63,033	63,033
Issued and outstanding	57,699	57,437
Retained earnings	241,592	234,498
Accumulated other comprehensive income	14,286	5,621

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Total shareholders' equity	1,244,443	1,228,175
Total liabilities and shareholders' equity	\$8,552,902	\$8,578,846
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,	
	2015	2014
	(in thousands except per share amounts)	
Interest Income		
Loans	\$70,822	\$65,541
Taxable securities	7,526	6,752
Tax-exempt securities	3,042	2,618
Deposits in banks	27	14
Total interest income	81,417	74,925
Interest Expense		
Deposits	748	752
Federal Home Loan Bank advances	159	114
Other borrowings	146	119
Total interest expense	1,053	985
Net Interest Income	80,364	73,940
Provision for loan and lease losses	1,209	1,922
Net interest income after provision for loan and lease losses	79,155	72,018
Noninterest Income		
Service charges and other fees	14,869	12,936
Merchant services fees	2,040	1,870
Investment securities gains, net	721	223
Bank owned life insurance	1,078	965
Change in FDIC loss-sharing asset	150	(4,819)
Other	3,909	2,833
Total noninterest income	22,767	14,008
Noninterest Expense		
Compensation and employee benefits	39,100	31,338
Occupancy	7,993	8,244
Merchant processing	977	980
Advertising and promotion	931	769
Data processing and communications	4,984	3,520
Legal and professional fees	2,507	2,169
Taxes, licenses and fees	1,232	1,180
Regulatory premiums	1,221	1,176
Net cost (benefit) of operation of other real estate owned	(1,246)	) 146
Amortization of intangibles	1,817	1,580
Other	7,218	6,284
Total noninterest expense	66,734	57,386
Income before income taxes	35,188	28,640
Income tax provision	10,827	8,796
Net Income	\$24,361	\$19,844
Earnings per common share		
Basic	\$0.42	\$0.38
Diluted	\$0.42	\$0.37

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Dividends paid per common share	\$0.30	\$0.12
Weighted average number of common shares outstanding	56,965	51,097
Weighted average number of diluted common shares outstanding	56,978	52,433

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,	
	2015	2014
	(in thousands)	
Net income as reported	\$24,361	\$19,844
Other comprehensive income, net of tax:		
Unrealized gain from securities:		
Net unrealized holding gain from available for sale securities arising during the period, net of tax of (\$5,338) and (\$4,049)	9,376	7,119
Reclassification adjustment of net gain from sale of available for sale securities included in income, net of tax of \$262 and \$81	(459)	(142)
Net unrealized gain from securities, net of reclassification adjustment	8,917	6,977
Pension plan liability adjustment:		
Net unrealized loss from unfunded defined benefit plan liability arising during the period, net of tax of \$159 and \$0	(280)	—
Amortization of unrecognized net actuarial loss included in net periodic pension cost, net of tax of (\$16) and (\$13)	28	24
Pension plan liability adjustment, net	(252)	24
Other comprehensive income	8,665	7,001
Total comprehensive income	\$33,026	\$26,845

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		Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	
	Number of Shares	Amount	Number of Shares	Amount				
	(in thousands)							
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	
Balance at January 1, 2014	9	\$2,217	51,265	\$860,562	\$202,514	\$ (12,044	) \$1,053,249
Net income	—	—	—	—	19,844	—	19,844	
Other comprehensive income	—	—	—	—	—	7,001	7,001	
Issuance of common stock - cashless exercise of warrants	—	—	1,140	—	—	—	—	
Issuance of common stock - stock option and other plans	—	—	19	405	—	—	405	
Issuance of common stock - restricted stock awards, net of canceled awards	—	—	197	680	—	—	680	
Purchase and retirement of common stock	—	—	(21) (522) —	—	(522)
Preferred dividends	—	—	—	—	(12) —	(12)
Cash dividends paid on common stock	—	—	—	—	(6,154) —	(6,154)
Balance at March 31, 2014	9	\$2,217	52,600	\$861,125	\$216,192	\$ (5,043	) \$1,074,491

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,	
	2015	2014 (1)
	(in thousands)	
Cash Flows From Operating Activities		
Net Income	\$24,361	\$19,844
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan and lease losses	1,209	1,922
Stock-based compensation expense	862	680
Depreciation, amortization and accretion	7,735	8,972
Investment securities gain, net	(721	) (223
Net realized (gain) loss on sale of other assets	(306	) 8
Net realized gain on sale of other real estate owned	(1,736	) (1,659
Write-down on other real estate owned	197	1,580
Net change in:		
Loans held for sale	(2,429	) 735
Interest receivable	(1,286	) (1,394
Interest payable	(79	) (13
Other assets	(4,531	) 5,714
Other liabilities	3,680	(649
Net cash provided by operating activities	26,956	35,517
Cash Flows From Investing Activities		
Loans originated and acquired, net of principal collected	(12,443	) (64,065
Purchases of:		
Securities available for sale	(11,362	) (10,787
Premises and equipment	(4,032	) (4,930
Proceeds from:		
FDIC reimbursement on loss-sharing asset	1,138	539
Sales of securities available for sale	57,243	6,441
Principal repayments and maturities of securities available for sale	54,451	36,530
Sales of loans held for investments and other assets	7,745	337
Sales of other real estate and other personal property owned (1)	5,067	11,205
Payments to FDIC related to loss-sharing asset	(479	) (2,217
Net cash provided by (used in) investing activities	97,328	(26,947
Cash Flows From Financing Activities		
Net increase in deposits	150,243	84,941
Net decrease in sweep repurchase agreements	(8,228) —
Proceeds from:		
Federal Home Loan Bank advances	624,000	587,000
Federal Reserve Bank borrowings	—	50
Exercise of stock options	428	405
Payments for:		