

COLUMBIA BANKING SYSTEM INC
Form 10-Q
November 04, 2005
Table of Contents

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 September 30, 2005.

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
(State or other jurisdiction of
incorporation or organization)

91-1422237
(I.R.S. Employer
Identification Number)

Edgar Filing: COLUMBIA BANKING SYSTEM INC - Form 10-Q

1301 A Street
Tacoma, Washington
(Address of principal executive offices)

98402-2156
(Zip Code)

(253) 305-1900

(Registrant'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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

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 the registrant's Common Stock outstanding at October 31, 2005 was 15,811,049.

Table of Contents

TABLE OF CONTENTS

	Page
PART I FINANCIAL INFORMATION	
Item 1. Consolidated Condensed Unaudited Financial Statements	
<u>Consolidated Condensed Statements of Operations - three months and nine months ended September 30, 2005 and 2004</u>	2
<u>Consolidated Condensed Balance Sheets - September 30, 2005 and December 31, 2004</u>	3
<u>Consolidated Condensed Statements of Shareholders' Equity - twelve months ended December 31, 2004, and nine months ended September 30, 2005</u>	4
<u>Consolidated Condensed Statements of Cash Flows - nine months ended September 30, 2005 and 2004</u>	5
<u>Notes to Consolidated Condensed Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	25
<u>Item 4. Controls and Procedures</u>	25
PART II OTHER INFORMATION	
<u>Item 6. Exhibits</u>	26
<u>Signatures</u>	27

Table of Contents**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**

Columbia Banking System, Inc.

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
<i>(in thousands except per share)</i>				
Interest Income				
Loans	\$ 26,080	\$ 16,604	\$ 72,215	\$ 49,068
Securities available for sale	5,628	5,162	16,936	14,813
Securities held to maturity	16	27	48	81
Deposits with banks	31	144	55	322
Total interest income	31,755	21,937	89,254	64,284
Interest Expense				
Deposits	6,871	4,051	17,873	11,928
Federal Home Loan Bank advances	1,100	23	3,151	103
Long-term obligations	412	296	1,140	838
Other borrowings	41		112	
Total interest expense	8,424	4,370	22,276	12,869
Net Interest Income	23,331	17,567	66,978	51,415
Provision for loan losses	245	250	1,505	550
Net interest income after provision for loan losses	23,086	17,317	65,473	50,865
Noninterest Income				
Service charges and other fees	2,955	2,554	8,388	7,826
Mortgage banking	189	169	947	1,333
Merchant services fees	2,355	2,002	6,392	5,405
Loss on sale of investment securities, net				(6)
Bank owned life insurance (BOLI)	400	338	1,184	934
Other	617	273	1,407	829
Total noninterest income	6,516	5,336	18,318	16,321
Noninterest Expense				
Compensation and employee benefits	9,434	7,824	28,140	23,485
Occupancy	2,588	1,900	7,497	5,986
Merchant processing	906	819	2,454	2,221
Advertising and promotion	535	478	1,574	1,643
Data processing	733	616	2,169	1,694
Legal and professional services	891	1,018	2,589	2,314
Taxes, licenses and fees	529	421	1,480	1,210
Net costs (gains) of other real estate owned	1	(89)	(8)	(15)
Other	3,176	2,074	8,689	6,051
Total noninterest expense	18,793	15,061	54,584	44,589

Edgar Filing: COLUMBIA BANKING SYSTEM INC - Form 10-Q

Income before income taxes	10,809	7,592	29,207	22,597
Provision for income taxes	2,857	2,109	8,159	6,549
Net Income	\$ 7,952	\$ 5,483	\$ 21,048	\$ 16,048
Net income per common share:				
Basic	\$ 0.50	\$ 0.38	\$ 1.34	\$ 1.13
Diluted	0.50	0.38	1.33	1.11
Dividends paid per common share	\$ 0.11	\$ 0.07	\$ 0.27	\$ 0.19
Average number of common shares outstanding	15,746	14,266	15,672	14,218
Average number of diluted common shares outstanding	15,940	14,481	15,852	14,439

See accompanying notes to unaudited consolidated condensed financial statements.

Table of Contents**CONSOLIDATED CONDENSED BALANCE SHEETS***Columbia Banking System, Inc.**(Unaudited)*

<i>(in thousands)</i>	September 30, 2005	December 31, 2004
Assets		
Cash and due from banks	\$ 88,772	\$ 54,287
Interest-earning deposits with banks	1,818	369
Total cash and cash equivalents	90,590	54,656
Securities available for sale at fair value (amortized cost of \$579,429 and \$627,519, respectively)	579,240	628,897
Securities held to maturity (fair value of \$2,847 and \$3,199, respectively)	2,774	3,101
Federal Home Loan Bank stock at cost	10,453	10,761
Loans held for sale	6,704	6,019
Loans, net of unearned income of (\$3,037) and (\$2,839), respectively	1,511,386	1,359,743
Less: allowance for loan losses	20,790	19,881
Loans, net	1,490,596	1,339,862
Interest receivable	10,460	9,582
Premises and equipment, net	44,815	44,774
Real estate owned		680
Goodwill	29,723	29,723
Other assets	57,861	49,495
Total Assets	\$ 2,323,216	\$ 2,177,550
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing	\$ 465,122	\$ 392,173
Interest-bearing	1,528,678	1,471,855
Total deposits	1,993,800	1,864,028
Federal Home Loan Bank advances	59,325	68,700
Other borrowings	2,659	2,500
Long-term subordinated debt	22,295	22,246
Other liabilities	23,264	16,922
Total liabilities	2,101,343	1,974,396
Commitments and contingent liabilities		
Shareholders' equity:		
Preferred stock (no par value)		
Authorized, 2 million shares; none outstanding		

September 30,	December 31,
2005	2004

Edgar Filing: COLUMBIA BANKING SYSTEM INC - Form 10-Q

Common stock (no par value)				
Authorized shares	63,034	63,034		
Issued and outstanding	15,808	15,594	162,636	159,693
Retained earnings			59,368	42,552
Accumulated other comprehensive income (loss)	Unrealized (losses)			
gains on securities available for sale, net of tax			(131)	909
Total shareholders equity			221,873	203,154
Total Liabilities and Shareholders Equity			\$ 2,323,216	\$ 2,177,550

See accompanying notes to unaudited consolidated condensed financial statements.

Table of Contents**CONSOLIDATED CONDENSED STATEMENTS OF SHAREHOLDERS EQUITY***Columbia Banking System, Inc.**(Unaudited)*

<i>(in thousands)</i>	<u>Common stock</u>		<u>Retained Earnings</u>	<u>Accumulated</u>	<u>Total Shareholders Equity</u>
	<u>Number of Shares</u>	<u>Amount</u>		<u>Other Comprehensive Income (Loss)</u>	
Balance at January 1, 2004	14,105	\$ 112,675	\$ 38,210	\$ (513)	\$ 150,372
Comprehensive income:					
Net income			22,513		22,513
Reclassification of net losses on securities available for sale included in net income, net of tax of \$2				4	4
Unrealized gains on securities available for sale, net of tax of \$743					