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)

x 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)

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#### 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 x No<sup>--</sup>

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes x No "

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

The number of shares of the registrant s Common Stock outstanding at October 31, 2005 was 15,811,049.

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#### CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

Columbia Banking System, Inc.

(Unaudited)

		Three Months Ended September 30,		
(in thousands except per share)	2005	2004	2005	2004
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

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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.

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#### CONSOLIDATED CONDENSED BALANCE SHEETS

Columbia Banking System, Inc.

(Unaudited)

Assets         Cash and due from banks         \$ \$ \$4,257         \$ \$ \$ \$4,257           Interest-earning deposits with banks         1,818         369           Total cash and cash equivalents         90,590         \$ \$4,656           Securities available for sale at fair value (amortized cost of \$579,429 and \$627,519, respectively)         \$79,240         628,897           Securities available for sale at fair value (amortized cost of \$579,429 and \$627,519, respectively)         \$7,774         3,101           Pederal Home Loan Bank stock at cost         10,453         10,704         6,019           Loans held for sale         6,704         6,019         1,339,862           Loans, net of nearned income of \$(\$3,037) and \$(\$2,839), respectively         1,511,386         1,339,862           Interest receivable         10,460         9,582           Premises and equipment, net         44,815         44,774           Real state owned         57,861         49,495           Goodwill         29,723         29,723           Other assets         \$ 2,232,216         \$ 2,177,550           Liabilities and Shareholders         Equity         5           Deposits:         1,993,800         1,864,028           Pederal Home Loan Bank advances         59,325         68,700           Othe	(in thousands)	Se	ptember 30, 2005	De	ecember 31, 2004
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           Pederal Home Loan Bank stock at cost         10,453         10,761           Loans, net of uncarned income of (\$3,037) and (\$2,839), respectively         1,511,386         1,339,862           Interest receivable         10,460         9,852           Premises and equipment, net         44,815         44,774           Real estate owned         680         680           Goodwill         29,723         29,723           Other assets         57,861         49,495           Total Assets         \$ 2,323,216         \$ 2,177,550           Liabilities and Shareholders Equity         \$ 465,122         \$ 392,173           Interest receivable         1,993,800         1.864,028           Federal Home Loan Bank advances         59,325         68,700           Other borowings         2,659         2,500           Loans, net         1,993,800         1.864,028           Federal					
Total cash equivalents         90,590         54,656           Securities available for sale at 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 held for sale         1,490,596         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         44,4815         44,714           Real estate owned         680         600           Goodwill         29,723         29,723           Other assets         57,861         49,495           Total Assets         \$ 2,323,216         \$ 2,177,550           Liabilities and Shareholders         Equiy         1,528,678         1,471,855           Total Assets         \$ 9,325         68,700         1,993,800         1,864,028		\$	88,772	\$	54,287
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           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         680           Godwill         29,723         29,723           Other assets         57,861         49,495           Total Assets         \$         2,323,216         \$         2,177,550           Liabilities and Shareholders Equity         1,528,678         1,471,855         1,471,855           Total Assets         \$         4,38,162         \$         3,92,173           Interest-bearing         \$         4,65,122         \$         392,173           Interest-bearing         \$         4,65,122         \$         392,173      <	Interest-earning deposits with banks	_	1,818	_	369
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           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         1,400,596         1,339,862           Interest receivable         10,460         9,582           Premises and equipment, net         44,815         44,774           Real estate owned         680         680           Godwill         29,723         29,723           Other assets         5,7,861         49,495           Total Assets         5         2,323,216         \$ 2,177,550           Liabilities and Shareholders Equity         1,528,678         1,471,855           Total deposits         1,993,800         1,864,028           Pedorat Home Loan Bank advances         59,325         6,870           Other borrowings         2,659         2,500         2,500           Loans, net inabilities         1,993,800         1,864,028	Total cash and cash equivalents		90,590		54,656
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 held for sale         20,790         19,881           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         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         1,528,678         1,471,855           Total deposits         1.993,800         1,864,028         7649,225         68,700           Cher bordwings         2,659         2,500         2,500         2,500           Lopesits:         1.993,800         1,864,028 <td></td> <td></td> <td>579,240</td> <td></td> <td>628,897</td>			579,240		628,897
Federal Home Loan Bank stock at cost       10,453       10,761         Loans held for sale       6,704       6,019         Loans, net of uncarned 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       680         Goodwill       29,723       29,723         Other assets       57,861       49,495         Total Assets       \$ 2,323,216       \$ 2,177,550         Liabilities and Shareholders       Equity       680         Peposits:       \$ 465,122       \$ 392,173         Interest-bearing       \$ 465,122       \$ 392,173         Interest-bearing       1,528,678       1,471,855         Total Assets       1993,800       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       1,974,396					3,101
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         44,714           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         5         465,122         \$ 392,173           Interest-bearing         1,528,678         1,471,855         1,471,855           Total deposits         1,993,800         1,864,028         59,325         68,700           Pederal Home Loan Bank advances         59,325         56,700         2,500         2,205         2,204           Other borrowings         2,659         2,500         2,32,64         16,922         16,922           Total labilities         2,101,343         1,974,396         1,974,396         1,974,396           Total liab	Federal Home Loan Bank stock at cost		10,453		10,761
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 liabilities       22,295       22,246         Other liabilities       23,264       16,922         Total leposities       23,264       16,922         Total liabilities       23,264       16,922         Total liabilities       2,101,343       1,974,396         Commitments and contingent liabilities       2,101,343       1,974,396         Preferred stock (no par value)       Preferred stock (no par value)       Preferred stock (no par value) <td>Loans held for sale</td> <td></td> <td></td> <td></td> <td>6,019</td>	Loans held for sale				6,019
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         Peposits:           Noninterest-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         2,509           Long-term subordinated debt         22,295         22,246           Other liabilities         23,264         16,922           Total liabilities         2,205         22,246           Other liabilities         2,204         16,922           Total liabilities         2,101,343         1,974,396           Preferred stock (no par value)         Preferred stock (no par value)         Preferred stock (no par value)	Loans, net of unearned income of (\$3,037) and (\$2,839), respectively		1,511,386		1,359,743
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:	Less: allowance for loan losses		20,790		19,881
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	Loans. net		1.490.596		1.339.862
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					
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:					
Other assets       57,861       49,495         Total Assets       \$ 2,323,216       \$ 2,177,550         Liabilities and Shareholders Equity         Deposits:					680
Total Assets\$ 2,323,216\$ 2,177,550Liabilities and Shareholders Equity Deposits: Noninterest-bearingS 465,122\$ 392,173Interest-bearing1,528,6781,471,855Total deposits1,993,8001,864,028Federal Home Loan Bank advances59,32568,700Other borrowings2,6592,500Long-term subordinated debt22,29522,246Other liabilities23,26416,922Total liabilities2,101,3431,974,396Commitments and contingent liabilities Shareholders equity: Preferred stock (no par value)1,974,396	Goodwill		29,723		29,723
Liabilities and ShareholdersEquityDeposits:	Other assets		57,861		49,495
Deposits:Noninterest-bearing\$ 465,122\$ 392,173Interest-bearing1,528,6781,471,855Total deposits1,993,8001,864,028Federal Home Loan Bank advances59,32568,700Other borrowings2,6592,500Long-term subordinated debt22,29522,246Other liabilities23,26416,922Total liabilities2,101,3431,974,396Commitments and contingent liabilitiesShareholdersequity:Preferred stock (no par value)	Total Assets	\$	2,323,216	\$	2,177,550
Deposits:Noninterest-bearing\$ 465,122\$ 392,173Interest-bearing1,528,6781,471,855Total deposits1,993,8001,864,028Federal Home Loan Bank advances59,32568,700Other borrowings2,6592,500Long-term subordinated debt22,29522,246Other liabilities23,26416,922Total liabilities2,101,3431,974,396Commitments and contingent liabilitiesShareholdersequity:Preferred stock (no par value)	Liabilities and Shanaholdona Fauity	-		-	
Noninterest-bearing\$ 465,122\$ 392,173Interest-bearing1,528,6781,471,855Total deposits1,993,8001,864,028Federal Home Loan Bank advances59,32568,700Other borrowings2,6592,500Long-term subordinated debt22,29522,246Other liabilities23,26416,922Total liabilities2,101,3431,974,396Commitments and contingent liabilitiesShareholders equity:Preferred stock (no par value)					
Interest-bearing1,528,6781,471,855Total deposits1,993,8001,864,028Federal Home Loan Bank advances59,32568,700Other borrowings2,6592,500Long-term subordinated debt22,29522,246Other liabilities23,26416,922Total liabilities2,101,3431,974,396Commitments and contingent liabilitiesShareholders equity: Preferred stock (no par value)		\$	465 122	\$	302 173
Federal Home Loan Bank advances59,32568,700Other borrowings2,6592,500Long-term subordinated debt22,29522,246Other liabilities23,26416,922Total liabilities2,101,3431,974,396Commitments and contingent liabilitiesShareholders equity:		ψ	,	Ψ	
Other borrowings2,6592,500Long-term subordinated debt22,29522,246Other liabilities23,26416,922Total liabilities2,101,3431,974,396Commitments and contingent liabilitiesShareholders equity:	Total deposits		1,993,800		1,864,028
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)	Federal Home Loan Bank advances		59,325		68,700
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)	Other borrowings		2,659		2,500
Total liabilities       2,101,343       1,974,396         Commitments and contingent liabilities       Shareholders       equity:         Preferred stock (no par value)					22,246
Commitments and contingent liabilities Shareholders equity: Preferred stock (no par value)	Other liabilities		23,264		16,922
Commitments and contingent liabilities Shareholders equity: Preferred stock (no par value)	Total liabilities		2,101,343		1,974,396
Shareholders equity: Preferred stock (no par value)	Commitments and contingent liabilities				
Preferred stock (no par value)					
Authorized, 2 million shares; none outstanding	Preferred stock (no par value)				
	Authorized, 2 million shares; none outstanding				

September 30,	December 31,
2005	2004

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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) Unit	realized (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.

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#### CONSOLIDATED CONDENSED STATEMENTS OF SHAREHOLDERS EQUITY

Columbia Banking System, Inc.

(Unaudited)

	Comm	on stock	Accumulated				
				Other		Total	
(in thousands)	Number of Shares	Amount	Retained Earnings	Comprehensive Income (Loss)			areholders Equity
Balance at January 1, 2004 Comprehensive income:	14,105	\$ 112,675	\$ 38,210	\$	(513)	\$	150,372
Net income			22,513				22,513
Reclassification of net losses on securities available for sale included in net income, net of tax of \$2 Unrealized gains on securities available for sale, net of tax of \$743					4		4
φ <i>τ</i> 15							