

COLUMBIA BANKING SYSTEM INC

Form 10-Q

November 06, 2009

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, 2009.

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)

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Washington
(State or other jurisdiction of
incorporation or organization)

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

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 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 October 31, 2009 was 28,098,853

Table of Contents

TABLE OF CONTENTS

	Page
<u>PART I FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (unaudited)</u>	
<u>Consolidated Condensed Statements of Income (Loss) - three months and nine months ended September 30, 2009 and 2008</u>	1
<u>Consolidated Condensed Balance Sheets - September 30, 2009 and December 31, 2008</u>	2
<u>Consolidated Condensed Statements of Changes in Shareholders' Equity - nine months ended September 30, 2009 and 2008</u>	3
<u>Consolidated Condensed Statements of Cash Flows - nine months ended September 30, 2009 and 2008</u>	4
<u>Notes to Unaudited Consolidated Condensed Financial Statements</u>	5
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	35
Item 4. <u>Controls and Procedures</u>	35
<u>PART II OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	36
Item 1A. <u>Risk Factors</u>	36
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
Item 3. <u>Defaults Upon Senior Securities</u>	40
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	40
Item 5. <u>Other Information</u>	40
Item 6. <u>Exhibits</u>	41
<u>Signatures</u>	42

Table of Contents**PART I - FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS**
CONSOLIDATED CONDENSED STATEMENTS OF INCOME (LOSS)**Columbia Banking System, Inc.****(Unaudited)**

<i>(in thousands except per share)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Interest Income				
Loans	\$ 29,151	\$ 35,590	\$ 88,202	\$ 114,227
Taxable securities	4,327	4,615	12,730	14,490
Tax-exempt securities	2,169	1,997	6,258	5,997
Federal funds sold and deposits in banks	53	135	69	379
Total interest income	35,700	42,337	107,259	135,093
Interest Expense				
Deposits	5,531	10,148	18,297	36,444
Federal Home Loan Bank and Federal Reserve bank borrowings	651	1,887	2,116	6,464
Long-term obligations	280	423	937	1,339
Other borrowings	120	286	357	652
Total interest expense	6,582	12,744	21,707	44,899
Net Interest Income	29,118	29,593	85,552	90,194
Provision for loan and lease losses	16,500	10,500	48,500	27,926
Net interest income after provision for loan and lease losses	12,618	19,093	37,052	62,268
Noninterest Income (Loss)				
Service charges and other fees	3,806	3,823	10,982	11,129
Merchant services fees	1,957	2,081	5,607	6,159
Redemption of Visa and Mastercard shares			49	3,028
Gain on sale of investment securities, net				882
Loss on impairment of equity securities		(18,517)		(18,517)
Bank owned life insurance (BOLI)	515	533	1,532	1,587
Other	912	1,134	2,994	4,248
Total noninterest income (loss)	7,190	(10,946)	21,164	8,516
Noninterest Expense				
Compensation and employee benefits	11,869	12,173	36,017	37,917
Occupancy	3,023	3,248	9,005	9,706
Merchant processing	896	961	2,589	2,731
Advertising and promotion	296	579	1,675	1,797
Data processing	1,010	909	2,974	2,507
Legal and professional fees	793	765	2,779	1,479
Taxes, licenses and fees	582	720	1,975	2,267
Regulatory premiums	1,220	578	4,719	1,414
Net cost of operation of other real estate	318	4	590	(19)

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Other	3,139	3,454	9,318	10,513
Total noninterest expense	23,146	23,391	71,641	70,312
Income (loss) before income taxes	(3,338)	(15,244)	(13,425)	472
Income tax benefit	(1,836)	(6,485)	(7,905)	(3,682)
Net Income (Loss)	\$ (1,502)	\$ (8,759)	\$ (5,520)	\$ 4,154
Net Income (Loss) Applicable to Common Shareholders	\$ (2,605)	\$ (8,759)	\$ (8,818)	\$ 4,154
Earnings (loss) per common share				
Basic	\$ (0.11)	\$ (0.49)	\$ (0.45)	\$ 0.23
Diluted	\$ (0.11)	\$ (0.49)	\$ (0.45)	\$ 0.23
Dividends paid per common share	\$ 0.01	\$ 0.17	\$ 0.06	\$ 0.51
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, 2009	December 31, 2008
ASSETS		
Cash and due from banks	\$ 74,563	\$ 84,787
Interest-earning deposits with banks	126,355	3,943
Total cash and cash equivalents	200,918	88,730
Securities available for sale at fair value (amortized cost of \$629,294 and \$525,110, respectively)	646,620	528,918
Federal Home Loan Bank stock at cost	11,607	11,607
Loans held for sale		1,964
Loans, net of deferred loan fees of (\$4,618) and (\$4,033), respectively	2,063,398	2,232,332
Less: allowance for loan and lease losses	51,688	42,747
Loans, net	2,011,710	2,189,585
Interest receivable	11,185	11,646
Premises and equipment, net	63,066	61,139
Other real estate owned	18,137	2,874
Goodwill	95,519	95,519
Core deposit intangible, net	5,112	5,908
Other assets	103,154	99,189
Total Assets	\$ 3,167,028	\$ 3,097,079
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits:		
Non-interest bearing	\$ 490,512	\$ 466,078
Interest-bearing	1,953,055	1,916,073
Total deposits	2,443,567	2,382,151
Federal Home Loan Bank and Federal Reserve Bank borrowings	101,000	200,000
Securities sold under agreements to repurchase	25,000	25,000
Other borrowings	51	201
Long-term subordinated debt	25,653	25,603
Other liabilities	43,837	48,739
Total liabilities	2,639,108	2,681,694
Commitments and contingent liabilities		
Shareholders' equity:		
	September 30, 2009	December 31, 2008
Preferred stock (no par value, 76,898 aggregate liquidation preference)		
Authorized shares	2,000	2,000
Issued and outstanding	77	77
Common Stock (no par value)		
Authorized shares	63,033	63,033
Issued and outstanding	28,099	18,151
Retained earnings	93,150	103,061

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Accumulated other comprehensive income	12,182	5,389
Total shareholders' equity	527,920	415,385
Total Liabilities and Shareholders' Equity	\$ 3,167,028	\$ 3,097,079

See accompanying notes to unaudited consolidated condensed financial statements.

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

<i>(in thousands)</i>	Preferred Stock		Common Stock		Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Number of Shares	Amount	Number of Shares	Amount			
Balance at January 1, 2008		\$	17,953	\$ 226,550	\$ 110,169	\$ 5,012	\$ 341,731
Cumulative effect of change in accounting principle					(2,137)		(2,137)
Adjusted balance			17,953	226,550	108,032	5,012	339,594
Comprehensive income							
Net income					4,154		4,154
Other comprehensive loss, net of tax:							
Net unrealized loss from securities, net of reclassification adjustments						(1,302)	(1,302)
Net unrealized gain from cash flow hedging instruments						80	80
Other comprehensive loss							(1,222)
Comprehensive income							2,932
Issuance of stock under stock option and other plans			132	1,860			1,860
Stock award compensation expense			62	1,040			1,040
Tax benefit associated with stock-based compensation				230			230
Cash dividends paid on common stock					(9,221)		(9,221)
Balance at September 30, 2008		\$	18,147	\$ 229,680	\$ 102,965	\$ 3,790	\$ 336,435
Balance at January 1, 2009	77	\$ 73,743	18,151	\$ 233,192	\$ 103,061	\$ 5,389	\$ 415,385
Comprehensive income:							
Net loss					(5,520)		(5,520)
Other comprehensive income, net of tax:							
Net unrealized gain from securities, net of reclassification adjustments						8,717	8,717
Net change in cash flow hedging instruments						(1,264)	(1,264)
Pension plan liability adjustment, net						(660)	(660)
Other comprehensive income							6,793
Comprehensive income							1,273
Accretion of preferred stock discount		414			(414)		

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Issuance of common stock, net of offering costs	9,775	113,537					113,537
Issuance of common stock - stock option and other plans	88	928					928
Issuance of common stock - restricted stock awards, net of cancelled awards	85						
Share-based payment		857					857
Tax benefit deficiency associated with share-based compensation		(83)					(83)
Preferred dividends					(2,884)		(2,884)
Cash dividends paid on common stock					(1,093)		(1,093)
Balance at September 30, 2009	77	74,157	28,099	348,431	93,150	12,182	527,920

See accompanying notes to unaudited consolidated condensed financial statements.

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

<i>(in thousands)</i>	Nine Months Ended September 30,	
	2009	2008
Cash Flows From Operating Activities		
Net income (loss)	\$ (5,520)	\$ 4,154
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Provision for loan and lease losses	48,500	27,926
Deferred income tax benefit	(4,483)	(12,318)
Excess tax benefit from stock-based compensation		(230)
Stock-based compensation expense	857	1,040
Depreciation, amortization and accretion	5,384	5,389
Net realized gain on sale of securities		(882)
Net realized (gain) loss on sale of other assets	145	(139)
Write-down of other real estate owned	120	
Impairment charge on investment securities		18,517
Gain on termination of cash flow hedging instruments	(1,960)	(1,022)
Net change in:		
Loans held for sale	1,964	1,592
Interest receivable	461	1,642
Interest payable	(2,165)	(4,591)
Other assets	(3,919)	(6,841)
Other liabilities	(2,588)	(5,588)
Net cash provided by operating activities	36,796	28,649
Cash Flows From Investing Activities		
Purchases of securities available for sale	(154,973)	(86,902)
Proceeds from sales of securities available for sale		51,358
Proceeds from principal repayments and maturities of securities available for sale	49,878	40,328
Loans originated and acquired, net of principal collected	108,785	45,605
Purchases of premises and equipment	(5,469)	(8,838)
Proceeds from disposal of premises and equipment	11	115
Purchase of FHLB stock		(3,178)
Proceeds from termination of cash flow hedging instruments		8,093
Additions to other real estate owned	(380)	
Proceeds from sales of other real estate and other personal property owned	4,805	204
Net cash provided by investing activities	2,657	46,785
Cash Flows From Financing Activities		
Net increase (decrease) in deposits	61,416	(142,240)
Proceeds from Federal Home Loan Bank advances	324,000	1,784,268
Repayment from Federal Home Loan Bank advances	(373,000)	(1,740,938)
Proceeds from Federal Reserve Bank borrowings	415,000	
Repayments of Federal Reserve Bank borrowings	(465,000)	
Net increase in repurchase agreement borrowings		25,000
Net increase (decrease) in other borrowings	(150)	15,036
Cash dividends paid	(3,913)	(9,221)