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)
ý 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 (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
(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 ý 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 ý 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	ý	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 ý
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
ASSETS			(in thousands)	
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		
Preferred stock (no par value)	(in thousands)			
Authorized shares	2,000	2,000		
Issued and outstanding	9	9	2,217	2,217
Common stock (no par value)				
Authorized shares	63,033	63,033		
Issued and outstanding	57,699	57,437	986,348	985,839
Retained earnings			241,592	234,498
Accumulated other comprehensive income			14,286	5,621

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

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:		
Repayment of Federal Home Loan Bank advances	(804,000)	(617,000)
Repayment of Federal Reserve Bank borrowings	—	(50)
Common stock dividends	(17,236)	(6,154)
Preferred stock dividends	(31)	(12)
Repayment of other borrowings	(8,248)	—

Purchase and retirement of common stock	(781)	(522)
Net cash provided by (used in) financing activities	(63,853)	48,658
Increase in cash and cash equivalents	60,431	57,228
Cash and cash equivalents at beginning of period	188,170	179,561
Cash and cash equivalents at end of period	$248,601	$236,789
Supplemental Information:		
Cash paid during the period for:		
Cash paid for interest	$1,132	$999
Cash paid for income tax	$13	$10
Non-cash investing and financing activities		
Loans transferred to other real estate owned	$4,692	$5,751

(1) Reclassified to conform to the current period's presentation. The reclassification was limited to removing the separate line item for "Sales of covered other real estate owned" and including the prior period activity in the line item for sales of other real estate and other personal property owned.

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 West Coast Trust Company, Inc. (“West Coast 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, 2015 are not necessarily indicative of results to be anticipated for the year ending December 31, 2015. The accompanying interim unaudited consolidated financial statements should be read in conjunction with the financial statements and related notes contained in the Company’s 2014 Annual Report on Form 10-K.
Due to the timing of the acquisition of Intermountain Community Bancorp (“Intermountain”) on November 1, 2014, our results of operations for the three month period ended March 31, 2015 include the acquisition for the entire three month period, however the prior year period’s results of operations do not include the acquisition. See Note 3, Business Combinations, for further information regarding this acquisition.
Significant Accounting Policies
The significant accounting policies used in preparation of our consolidated financial statements are disclosed in our 2014 Annual Report on Form 10-K. There have not been any changes in our significant accounting policies compared to those contained in our 2014 Form 10-K disclosure for the year ended December 31, 2014.
2. Accounting Pronouncements Recently Issued
In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-05, Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement. The Update provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new guidance does not change the accounting for a customer’s accounting for service contracts. ASU No. 2015-05 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company is currently assessing the impact that this guidance will have on its consolidated financial statements, but does not expect the guidance to have a material impact on the Company’s consolidated financial statements.
In June 2014, the FASB issued ASU 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The Update changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with accounting for other repurchase agreements. Additionally, the amendment requires new disclosures on transfers accounted for as sales in transactions that are economically similar to repurchase agreements and requires increased transparency on collateral pledged in secured borrowings. The amendments in this update will be effective for the first interim or annual period beginning after December 31, 2014, with the exception of the collateral disclosures which will be effective for interim periods beginning after March 15, 2015. Early application is not permitted. The Company does not expect the guidance to have a material impact on the Company’s consolidated financial statements.
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 will be effective for interim and annual periods beginning after December 15, 2016. The Company is currently assessing the impact that this guidance will have on its consolidated financial statements, but does not expect the guidance to have a material

impact on the Company's consolidated financial statements.

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3. Business Combinations

On November 1, 2014, the Company completed its acquisition of Intermountain. The Company paid $131.9 million in total consideration to acquire 100% of the equity interests of Intermountain. The primary reason for the acquisition was to expand the Company's geographic footprint into the state of Idaho, consistent with its ongoing growth strategy. The assets acquired and liabilities assumed have been accounted for under the acquisition method of accounting. The assets and liabilities, both tangible and intangible, were recorded at their estimated fair values as of the November 1, 2014 acquisition date. Initial accounting for deferred taxes was incomplete as of March 31, 2015. The amount currently recognized in the financial statements has been determined provisionally as the final Intermountain Community Bancorp tax return has not yet been completed. The fair value of the net assets acquired totaled $93.4 million, including $736.8 million of deposits, $502.6 million of loans and $10.9 million of other intangible assets. Goodwill of $38.6 million was recorded as part of the acquisition. The goodwill is not deductible for income tax purposes.

The operating results of the Company reported herein include the operating results produced by the acquired assets and assumed liabilities for the period January 1, 2015 to March 31, 2015. Disclosure of the amount of Intermountain's revenue and net income (excluding integration costs) included in Columbia's consolidated income statement is impracticable due to the integration of the operations and accounting for this acquisition.

For illustrative purposes only, the following table presents certain unaudited pro forma information for the three month period ended March 31, 2014. This unaudited pro forma information was calculated as if Intermountain had been acquired as of the beginning of the year prior to the date of acquisition. The unaudited pro forma information combines the historical results of Intermountain with the Company's consolidated historical results and includes certain adjustments reflecting the estimated impact of certain fair value adjustments for the respective period. The pro forma information is not indicative of what would have occurred had the acquisition occurred as of the beginning of the year prior to the acquisition. In particular, no adjustments have been made to eliminate the impact of other-than-temporary impairment losses and losses recognized on the sale of securities that may not have been necessary had the investment securities been recorded at fair value as of the beginning of the year prior to the date of acquisition. The unaudited pro forma information does not consider any changes to the provision for credit losses resulting from recording loan assets at fair value. Additionally, Columbia expects to achieve further operating cost savings and other business synergies, including revenue growth, as a result of the acquisition which are not reflected in the pro forma amounts that follow. As a result, actual amounts would have differed from the unaudited pro forma information presented.

	Unaudited Pro Forma Three Months Ended March 31, 2014 (in thousands except per share)
Total revenues (net interest income plus noninterest income)	$97,488
Net income	$21,078
Earnings per share - basic	$0.38
Earnings per share - diluted	$0.37

In connection with the Intermountain acquisition, Columbia recognized $2.9 million in acquisition-related expenses for the three month period ended March 31, 2015 and recognized no acquisition-related expenses for the three month period ended March 31, 2014. In addition, related to the acquisition of West Coast Bancorp ("West Coast") which was completed on April 1, 2013, Columbia recognized $72 thousand and $966 thousand in acquisition-related expenses for the three month periods ended March 31, 2015 and 2014, respectively.

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The following table shows the impact of the acquisition-related expenses related to the acquisition of Intermountain for the three months ended March 31, 2015 to the various components of noninterest expense:

	Three Months Ended March 31, 2015
	(in thousands)
Noninterest Expense	
Compensation and employee benefits	$273
Occupancy	499
Advertising and promotion	96
Data processing and communications	1,558
Legal and professional fees	385
Other	91
Total impact of acquisition-related costs to noninterest expense	$2,902

See Note 2, Business Combinations, in Item 8 of our 2014 Form 10-K for additional details related to the Intermountain acquisition.

4. 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, 2015				
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$1,093,576	$13,765	$(4,641)	$1,102,700
State and municipal securities	486,969	15,434	(732)	501,671
U.S. government agency and government-sponsored enterprise securities	375,230	2,551	(983)	376,798
U.S. government securities	20,918	—	(140)	20,778
Other securities	5,284	40	(112)	5,212
Total	$1,981,977	$31,790	$(6,608)	$2,007,159
December 31, 2014				
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$1,160,378	$10,219	$(8,210)	$1,162,387
State and municipal securities	483,578	14,432	(1,526)	496,484
U.S. government agency and government-sponsored enterprise securities	416,919	856	(4,069)	413,706
U.S. government securities	20,910	—	(411)	20,499
Other securities	5,284	20	(123)	5,181
Total	$2,087,069	$25,527	$(14,339)	$2,098,257

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Proceeds from sales of securities available-for-sale were $57.2 million and $6.4 million for the three months ended March 31, 2015 and 2014, 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,	
	2015	2014
	(in thousands)	
Gross realized gains	$730	$223
Gross realized losses	(9)	—
Net realized gains	$721	$223

The scheduled contractual maturities of investment securities available for sale at March 31, 2015 are presented as follows:

	March 31, 2015	
	Amortized Cost	Fair Value
	(in thousands)	
Due within one year	$15,480	$15,601
Due after one year through five years	404,752	406,989
Due after five years through ten years	526,230	534,584
Due after ten years	1,030,231	1,044,773
Other securities with no stated maturity	5,284	5,212
Total investment securities available-for-sale	$1,981,977	$2,007,159

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, 2015
	(in thousands)
Washington and Oregon State to secure public deposits	$323,771
Federal Reserve Bank to secure borrowings	36,945
Other securities pledged	156,385
Total securities pledged as collateral	$517,101

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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, 2015 and December 31, 2014:

	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, 2015						
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$94,304	$(634)	$213,050	$(4,007)	$307,354	$(4,641)
State and municipal securities	45,809	(227)	31,597	(505)	77,406	(732)
U.S. government agency and government-sponsored enterprise securities	999	(1)	178,013	(982)	179,012	(983)
U.S. government securities	1,050	(1)	19,728	(139)	20,778	(140)
Other securities	—	—	2,843	(112)	2,843	(112)
Total	$142,162	$(863)	$445,231	$(5,745)	$587,393	$(6,608)
December 31, 2014						
U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations	$258,825	$(1,287)	$279,015	$(6,924)	$537,840	$(8,211)
State and municipal securities	71,026	(543)	44,148	(982)	115,174	(1,525)
U.S. government agency and government-sponsored enterprise securities	105,250	(518)	216,221	(3,551)	321,471	(4,069)
U.S. government securities	—	—	19,450	(411)	19,450	(411)
Other securities	2,313	(2)	2,834	(121)	5,147	(123)
Total	$437,414	$(2,350)	$561,668	$(11,989)	$999,082	$(14,339)

At March 31, 2015, there were 77 U.S. government agency and government-sponsored enterprise mortgage-backed securities and collateralized mortgage obligations securities in an unrealized loss position, of which 34 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, 2015.

At March 31, 2015, there were 66 state and municipal government securities in an unrealized loss position, of which 32 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, 2015, 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, 2015.

At March 31, 2015, there were 18 U.S. government agency and government-sponsored enterprise securities in an unrealized loss position, 14 of which 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 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, 2015.

At March 31, 2015, there were four U.S. government securities in an unrealized loss position, two of which 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 currently intend to sell these securities nor does the Company consider it more likely than not that it will be required to sell

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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, 2015.

At March 31, 2015, 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, 2015 as it has the intent and ability to hold the investment for sufficient time to allow for recovery in the market value.

5. 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.”

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

	March 31, 2015			December 31, 2014		
	Loans, excluding PCI loans	PCI Loans	Total	Loans, excluding PCI loans	PCI Loans	Total
	(in thousands)					
Commercial business	$2,139,873	$46,335	$2,186,208	$2,119,565	$44,505	$2,164,070
Real estate:						
One-to-four family residential	173,739	26,601	200,340	175,571	26,993	202,564
Commercial and multifamily residential	2,374,454	118,230	2,492,684	2,363,541	128,769	2,492,310
Total real estate	2,548,193	144,831	2,693,024	2,539,112	155,762	2,694,874
Real estate construction:						
One-to-four family residential	124,017	3,797	127,814	116,866	4,021	120,887
Commercial and multifamily residential	119,880	2,238	122,118	134,443	2,321	136,764
Total real estate construction	243,897	6,035	249,932	251,309	6,342	257,651
Consumer	352,960	22,638	375,598	364,182	23,975	388,157
Less: Net unearned income	(53,867)	—	(53,867)	(59,374)	—	(59,374)
Total loans, net of unearned income	5,231,056	219,839	5,450,895	5,214,794	230,584	5,445,378
Less: Allowance for loan and lease losses	(53,703)	(16,531)	(70,234)	(53,233)	(16,336)	(69,569)
Total loans, net	$5,177,353	$203,308	$5,380,661	$5,161,561	$214,248	$5,375,809
Loans held for sale	$3,545	$—	$3,545	$1,116	$—	$1,116

At March 31, 2015 and December 31, 2014, 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 $12.7 million at March 31, 2015 and $13.2 million at December 31, 2014. During the first three months of 2015, there were no advances and repayments totaled $430 thousand.

At March 31, 2015 and December 31, 2014, $1.30 billion and $1.08 billion of commercial and residential real estate loans were pledged as collateral on Federal Home Loan Bank of Seattle (“FHLB”) borrowings and additional borrowing capacity. The Company has also pledged $47.0 million and $46.0 million of commercial loans to the Federal Reserve Bank for additional borrowing capacity at March 31, 2015 and December 31, 2014, respectively.

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The following is an analysis of nonaccrual loans as of March 31, 2015 and December 31, 2014:

	March 31, 2015		December 31, 2014	
	Recorded Investment Nonaccrual Loans	Unpaid Principal Balance Nonaccrual Loans	Recorded Investment Nonaccrual Loans	Unpaid Principal Balance Nonaccrual Loans
	(in thousands)			
Commercial business:				
Secured	$17,240	$ 20,573	$16,552	$ 21,453
Unsecured	189	211	247	269
Real estate:				
One-to-four family residential	4,429	6,109	2,822	5,680
Commercial & multifamily residential:				
Commercial land	1,616	1,560	821	1,113
Income property	887	887	3,200	5,521
Owner occupied	1,995	2,036	3,826	5,837
Real estate construction:				
One-to-four family residential:				
Land and acquisition	871	871	95	112
Residential construction	1,263	1,263	370	370
Commercial & multifamily residential:				
Owner occupied	470	489	480	489
Consumer	2,868	3,799	2,939	3,930
Total	$31,828	$ 37,798	$31,352	$ 44,774

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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, 2015 and December 31, 2014:

	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, 2015	(in thousands)						
Commercial business:							
Secured	$2,024,277	$11,910	$1,874	$58	$13,842	$17,240	$2,055,359
Unsecured	78,351	492	120	67	679	189	79,219
Real estate:							
One-to-four family residential	164,962	771	124	21	916	4,429	170,307
Commercial & multifamily residential:							
Commercial land	186,904	4,303	355	264	4,922	1,616	193,442
Income property	1,305,595	2,502	560	—	3,062	887	1,309,544
Owner occupied	841,551	2,206	435	—	2,641	1,995	846,187
Real estate construction:							
One-to-four family residential:							
Land and acquisition	15,860	67	—	—	67	871	16,798
Residential construction	104,378	—	—	4	4	1,263	105,645
Commercial & multifamily residential:							
Income property	62,958	—	—	—	—	—	62,958
Owner occupied	54,969	—	—	—	—	470	55,439
Consumer	331,566	1,509	193	22	1,724	2,868	336,158
Total	$5,171,371	$23,760	$3,661	$436	$27,857	$31,828	$5,231,056

	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
December 31, 2014	(in thousands)						
Commercial business:							
Secured	$2,004,418	$5,137	$6,149	$1,372	$12,658	$16,552	$2,033,628
Unsecured	79,661	185	—	—	185	247	80,093
Real estate:							
One-to-four family residential	167,197	1,700	45	—	1,745	2,822	171,764
Commercial & multifamily residential:							
Commercial land	187,470	1,454	34	—	1,488	821	189,779
Income property	1,294,982	3,031	786	—	3,817	3,200	1,301,999
Owner occupied	839,689	937	289	—	1,226	3,826	844,741
Real estate construction:							

One-to-four family residential:							
Land and acquisition	15,462	953	—	—	953	95	16,510
Residential construction	97,821	326	—	4	330	370	98,521
Commercial & multifamily residential:							
Income property	73,783	—	—	—	—	—	73,783
Owner occupied	57,470	—	994	—	994	480	58,944
Consumer	341,032	933	118	10	1,061	2,939	345,032
Total	$5,158,985	$14,656	$8,415	$1,386	$24,457	$31,352	$5,214,794

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The following is an analysis of impaired loans as of March 31, 2015 and December 31, 2014:

	Recorded Investment of Loans Collectively Measured for Contingency Provision	Recorded Investment of Loans Individually 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
March 31, 2015	(in thousands)						
Commercial business:							
Secured	$2,044,486	$ 10,873	$96	$96	$ 24	$10,777	$12,986
Unsecured	79,219	—	—	—	—	—	—
Real estate:							
One-to-four family residential	166,129	4,178	420	461	115	3,758	4,220
Commercial & multifamily residential:							
Commercial land	192,972	470	—	—	—	470	470
Income property	1,307,556	1,988	—	—	—	1,988	2,355
Owner occupied	839,157	7,030	578	578	24	6,452	8,944
Real estate construction:							
One-to-four family residential:							
Land and acquisition	15,818	980	109	108	67	871	871
Residential construction	104,752	893	—	—	—	893	893
Commercial & multifamily residential:							
Income property	62,958	—	—	—	—	—	—
Owner occupied	55,439	—	—	—	—	—	—
Consumer	335,474	684	—	—	—	684	895
Total	$5,203,960	$ 27,096	$1,203	$ 1,243	$ 230	$25,893	$31,634

	Recorded Investment of Loans Collectively Measured for Contingency Provision	Recorded Investment of Loans Individually 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
December 31, 2014	(in thousands)						
Commercial business:							
Secured	$2,023,104	$ 10,524	$99	$99	$ 25	$10,425	$12,410
Unsecured	80,091	2	2	2	2	—	—
Real estate:							
One-to-four family residential	169,619	2,145	424	465	120	1,721	2,370
Commercial & multifamily residential:							
Commercial land	189,779	—	—	—	—	—	—
Income property	1,295,650	6,349	—	—	—	6,349	10,720
Owner occupied	835,895	8,846	582	582	27	8,264	12,732
Real estate construction:							

One-to-four family residential:							
Land and acquisition	16,401	109	109	109	67	—	—
Residential construction	98,521	—	—	—	—	—	—
Commercial & multifamily residential:							
Income property	73,783	—	—	—	—	—	—
Owner occupied	58,944	—	—	—	—	—	—
Consumer	344,908	124	—	—	—	124	201
Total	$5,186,695	$ 28,099	$1,216	$1,257	$ 241	$26,883	$38,433

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The following table provides additional information on impaired loans for the three month periods indicated:

	Three Months Ended March 31,			
	2015		2014	
	Average Recorded Investment Impaired Loans	Interest Recognized on Impaired Loans	Average Recorded Investment Impaired Loans	Interest Recognized on Impaired Loans
	(in thousands)			
Commercial business:				
Secured	$10,698	$7	$6,232	$17
Unsecured	1	—	31	—
Real estate:				
One-to-four family residential	3,162	13	1,856	13
Commercial & multifamily residential:				
Commercial land	235	—	111	—
Income property	4,168	10	6,436	62
Owner occupied	7,938	234	10,140	241
Real estate construction:				
One-to-four family residential:				
Land and acquisition	544	1	1,569	1
Residential construction	446	—	—	—
Consumer	404	2	163	2
Total	$27,596	$267	$26,538	$336

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There were no troubled debt restructurings (“TDR”) during the three months ended March 31, 2015. The following is an analysis of loans classified as TDR during the three months ended March 31, 2014:

	Three months ended March 31, 2014		
	Number of TDR Modifications	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(dollars in thousands)		
Commercial business:			
Secured	2	$ 546	$ 546
Real estate:			
One-to-four family residential	2	494	494
Commercial and multifamily residential:			
Income property	1	143	126
Total	5	$ 1,183	$ 1,166

The Company’s loans classified as TDR are loans that have been modified or the borrower has been granted special concessions due to financial difficulties that, if not for the challenges of the borrower, the Company would not otherwise consider. The TDR modifications or concessions are made to increase the likelihood that these borrowers with financial difficulties will be able to satisfy their debt obligations as amended. The concessions granted in the restructurings completed in the three month period ending March 31, 2014 largely consisted of maturity extensions, interest rate modifications or a combination of both. In limited circumstances, a reduction in the principal balance of the loan could also be made as a concession. Credit losses for loans classified as TDR are measured on the same basis as impaired loans. For impaired loans, an allowance is established when the collateral value less selling costs (or discounted cash flows or observable market price) of the impaired loan is lower than the recorded investment of that loan.

The Company had no commitments to lend additional funds on loans classified as TDR as of March 31, 2015 and December 31, 2014. The Company did not have any loans modified as TDR that defaulted within twelve months of being modified as TDR during the three month periods ended March 31, 2015 and 2014.

Purchased Credit Impaired Loans (“PCI Loans”)

PCI loans are accounted for under ASC 310-30 and initially measured at fair value based on expected future cash flows over the life of the loans. Loans that have common risk characteristics are aggregated into pools. The Company remeasures contractual and expected cash flows, at the pool-level, on a quarterly basis.

Contractual cash flows are calculated based upon the loan pool terms after applying a prepayment factor. Calculation of the applied prepayment factor for contractual cash flows is the same as described below for expected cash flows. Inputs to the determination of expected cash flows include cumulative default and prepayment data as well as loss severity and recovery lag information. Cumulative default and prepayment data are calculated via a transition matrix. The transition matrix is a matrix of probability values that specifies the probability of a loan pool transitioning into a particular delinquency state (e.g. 0-30 days past due, 31 to 60 days, etc.) given its delinquency state at the remeasurement date. Loss severity factors are based upon either actual charge-off data within the loan pools or industry averages and recovery lags are based upon the collateral within the loan pools.

The excess of cash flows expected to be collected over the initial fair value of purchased credit impaired loans is referred to as the accretable yield and is accreted into interest income over the estimated life of the acquired loans using the effective yield method. Other adjustments to the accretable yield include changes in the estimated remaining life of the acquired loans, changes in expected cash flows and changes of indices for acquired loans with variable interest rates.

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The following is an analysis of our PCI loans, net of related allowance for losses and remaining valuation discounts as of March 31, 2015 and December 31, 2014:

	March 31, 2015	December 31, 2014
	(in thousands)	
Commercial business	$52,115	$50,334
Real estate:		
One-to-four family residential	31,127	31,981
Commercial and multifamily residential	127,952	140,398
Total real estate	159,079	172,379
Real estate construction:		
One-to-four family residential	4,026	4,353
Commercial and multifamily residential	2,501	2,588
Total real estate construction	6,527	6,941
Consumer	25,390	26,814
Subtotal of PCI loans	243,111	256,468
Less:		
Valuation discount resulting from acquisition accounting	23,272	25,884
Allowance for loan losses	16,531	16,336
PCI loans, net of allowance for loan losses	$203,308	$214,248

The following table shows the changes in accretable yield for PCI loans for the three months ended March 31, 2015 and 2014:

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Balance at beginning of period	$73,849	$103,907
Accretion	(6,319)	(10,569)
Disposals	(1,093)	(2,826)
Reclassifications from nonaccretable difference	2,289	11,031
Balance at end of period	$68,726	$101,543

6. Allowance for Loan and Lease Losses and Unfunded Commitments and Letters of Credit

Loans, excluding PCI loans

We maintain an allowance for loan and lease losses (“ALLL”) to absorb losses inherent in the loan portfolio. The size of the ALLL is determined through quarterly assessments of the probable estimated losses in the loan portfolio. Our methodology for making such assessments and determining the adequacy of the ALLL includes the following key elements:

1. General valuation allowance consistent with the Contingencies topic of the FASB ASC.
2. Classified loss reserves on specific relationships. Specific allowances for identified problem loans are determined in accordance with the Receivables topic of the FASB ASC.
3. The unallocated allowance provides for other factors inherent in our loan portfolio that may not have been contemplated in the general and specific components of the allowance. This unallocated amount generally comprises less than 5% of the allowance. The unallocated amount is reviewed quarterly based on trends in credit losses, the results of credit reviews and overall economic trends.

The general valuation allowance is calculated quarterly using quantitative and qualitative information about specific loan classes. The minimum required level with respect to which an entity develops a methodology to determine its ALLL is by general categories of loans, such as commercial business, real estate, and consumer. However, the Company’s methodology in determining its ALLL is prepared in a more detailed manner at the loan class level, utilizing specific categories such as commercial business secured, commercial business unsecured, real estate commercial land, and real estate income property multifamily. The quantitative information uses historical losses from a specific loan class and incorporates the loan’s risk rating migration from origination to the point of loss based upon the consideration of an appropriate look back period.

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A loan’s risk rating is primarily determined based upon the borrower’s ability to fulfill its debt obligation from a cash flow perspective. In the event there is financial deterioration of the borrower, the borrower’s other sources of income or repayment are also considered, including recent appraisal values for collateral dependent loans. The qualitative information takes into account general economic and business conditions affecting our marketplace, seasoning of the loan portfolio, duration of the business cycle, etc. to ensure our methodologies reflect the current economic environment and other factors as using historical loss information exclusively may not give an accurate estimate of inherent losses within the Company’s loan portfolio.

When a loan is deemed to be impaired, the Company has to determine if a specific valuation allowance is required for that loan. The specific valuation allowance is a reserve, calculated at the individual loan level, for each loan determined to be both, impaired and containing a value less than its recorded investment. The Company measures the impairment based on the discounted expected future cash flows, observable market price, or the fair value of the collateral less selling costs if the loan is collateral dependent or if foreclosure is probable. The specific reserve for each loan is equal to the difference between the recorded investment in the loan and its determined impairment value.

The ALLL is increased by provisions for loan and lease losses (“provision”) charged to expense, and is reduced by loans charged off, net of recoveries or a recovery of previous provisions. While the Company’s management believes the best information available is used to determine the ALLL, changes in market conditions could result in adjustments to the ALLL, affecting net income, if circumstances differ from the assumptions used in determining the ALLL.

We have used the same methodology for ALLL calculations during the three months ended March 31, 2015 and 2014. Adjustments to the percentages of the ALLL allocated to loan categories are made based on trends with respect to delinquencies and problem loans within each class of loans. The Company reviews the ALLL quantitative and qualitative methodology on a quarterly basis and makes adjustments when appropriate. The Company continues to strive towards maintaining a conservative approach to credit quality and will continue to make revisions to our ALLL as necessary to maintain adequate reserves. The Company carefully monitors the loan portfolio and continues to emphasize the importance of credit quality.

Once it is determined that all or a portion of a loan balance is uncollectable, and the amount can be reasonably estimated, the uncollectable portion of the loan is charged-off.

PCI Loans

Purchased credit impaired loans that have common risk characteristics are aggregated into loan pools. When required, we record impairment, at the pool-level, to adjust the pool’s carrying value to its net present value of expected future cash flows. Quarterly, we re-measure expected loan pool cash flows. If, due to credit deterioration, the present value of expected cash flows is less than carrying value, we reduce the loan pool’s carrying value by adjusting the ALLL with an impairment charge to earnings which is recorded as provision for loan losses. If credit quality improves and the present value of expected cash flows exceeds carrying value, we increase the loan pool’s carrying value by recapturing previously recorded ALLL, if any. See Note 5, Loans, for further discussion of the accounting for PCI loans.

Credit losses attributable to draws on purchased credit impaired loans, advanced subsequent to the loan purchase date, are accounted for under ASC 450-20 and those amounts are also subject to the Company’s internal and external credit review. An ALLL is estimated in a similar manner as loans, excluding PCI loans, and a provision for loan losses is charged to earnings as necessary.

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The following tables show a detailed analysis of the ALLL for the three months ended March 31, 2015 and 2014:

	Beginning Balance	Charge-offs	Recoveries	Provision (Recovery)	Ending Balance	Specific Reserve	General Allocation
Three months ended March 31, 2015	(in thousands)						
Commercial business:							
Secured	$25,923	$(1,386)	$512	$ 712	$25,761	$24	$25,737
Unsecured	927	(40)	106	19	1,012	—	1,012
Real estate:							
One-to-four family residential	2,281	(8)	12	(921)	1,364	115	1,249
Commercial & multifamily residential:							
Commercial land	799	—	—	28	827	—	827
Income property	9,159	—	3,252	(3,971)	8,440	—	8,440
Owner occupied	5,007	—	9	596	5,612	24	5,588
Real estate construction:							
One-to-four family residential:							
Land and acquisition	1,197	—	2	(173)	1,026	67	959
Residential construction	1,860	—	26	(96)	1,790	—	1,790
Commercial & multifamily residential:							
Income property	622	—	3	202	827	—	827
Owner occupied	434	—	—	65	499	—	499
Consumer	3,180	(891)	273	273	2,835	—	2,835
Purchased credit impaired	16,336	(4,100)	1,686	2,609	16,531	—	16,531
Unallocated	1,844	—	—	1,866	3,710	—	3,710
Total	$69,569	$(6,425)	$5,881	$ 1,209	$70,234	$230	$70,004

	Beginning Balance	Charge-offs	Recoveries	Provision (Recovery)	Ending Balance	Specific Reserve	General Allocation
Three months ended March 31, 2014	(in thousands)						
Commercial business:							
Secured	$31,027	$(198)	$448	$ (2,476)	$28,801	$1,521	$27,280
Unsecured	696	(35)	42	43	746	27	719
Real estate:							
One-to-four family residential	1,252	(207)	28	121	1,194	133	1,061
Commercial & multifamily residential:							
Commercial land	489	—	17	73	579	—	579
Income property	9,234	—	13	860	10,107	—	10,107
Owner occupied	3,605	(1,023)	9	1,969	4,560	38	4,522
Real estate construction:							
One-to-four family residential:							
Land and acquisition	610	—	39	(69)	580	71	509
Residential construction	822	—	3	(129)	696	—	696
Commercial & multifamily residential:							
Income property	285	—	—	35	320	—	320
Owner occupied	58	—	—	96	154	—	154

Consumer	2,547	(727)	253	564	2,637	3	2,634
Purchased credit impaired	20,174	(4,273)	1,806	2,422	20,129	—	20,129
Unallocated	1,655	—	—	(1,587)	68	—	68
Total	$72,454	$(6,463)	$2,658	$1,922	$70,571	$1,793	$68,778

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Changes in the allowance for unfunded commitments and letters of credit, a component of other liabilities in the consolidated balance sheet, are summarized as follows:

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Balance at beginning of period	$2,655	$2,505
Net changes in the allowance for unfunded commitments and letters of credit	—	(50)
Balance at end of period	$2,655	$2,455

Risk Elements

The extension of credit in the form of loans or other credit products to individuals and businesses is one of our principal business activities. Our policies and applicable laws and regulations require risk analysis as well as ongoing portfolio and credit management. We manage our credit risk through lending limit constraints, credit review, approval policies and extensive, ongoing internal monitoring. We also manage credit risk through diversification of the loan portfolio by type of loan, type of industry and type of borrower and by limiting the aggregation of debt to a single borrower.

Risk ratings are reviewed and updated whenever appropriate, with more periodic reviews as the risk and dollar value of loss on the loan increases. In the event full collection of principal and interest is not reasonably assured, the loan is appropriately downgraded and, if warranted, placed on nonaccrual status even though the loan may be current as to principal and interest payments. Additionally, we assess whether an impairment of a loan warrants specific reserves or a write-down of the loan.

Pass loans are generally considered to have sufficient sources of repayment in order to repay the loan in full in accordance with all terms and conditions. Special mention loans have potential weaknesses that, if left uncorrected, may result in deterioration of the repayment prospects for the asset or in the Company’s credit position at some future date. Loans with a risk rating of Substandard or worse are reported as classified loans in our ALLL analysis. We review these loans to assess the ability of our borrowers to service all interest and principal obligations and, as a result, the risk rating may be adjusted accordingly. Substandard loans reflect loans where a loss is possible if loan weaknesses are not corrected. Doubtful loans have a high probability of loss, however, the amount of loss has not yet been determined. Loss loans are considered uncollectable and when identified, are charged off.

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The following is an analysis of the credit quality of our loan portfolio, excluding PCI loans, as of March 31, 2015 and December 31, 2014:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
March 31, 2015	(in thousands)					
Loans, excluding PCI loans:						
Commercial business:						
Secured	$1,995,680	$19,210	$40,469	$—	$—	$2,055,359
Unsecured	78,498	—	721	—	—	79,219
Real estate:						
One-to-four family residential	162,448	1,465	6,394	—	—	170,307
Commercial and multifamily residential:						
Commercial land	187,519	3,459	2,464	—	—	193,442
Income property	1,301,779	3,517	4,248	—	—	1,309,544
Owner occupied	828,244	1,757	16,186	—	—	846,187
Real estate construction:						
One-to-four family residential:						
Land and acquisition	16,180	166	452	—	—	16,798
Residential construction	103,257	680	1,708	—	—	105,645
Commercial and multifamily residential:						
Income property	62,958	—	—	—	—	62,958
Owner occupied	54,563	—	876	—	—	55,439
Consumer	331,413	—	4,745	—	—	336,158
Total	$5,122,539	$30,254	$78,263	$—	$—	5,231,056
Less:						
Allowance for loan and lease losses						53,703
Loans, excluding PCI loans, net						$5,177,353

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
December 31, 2014	(in thousands)					
Loans, excluding PCI loans:						
Commercial business:						
Secured	$1,963,210	$15,790	$54,628	$—	$—	$2,033,628
Unsecured	79,534	—	559	—	—	80,093
Real estate:						
One-to-four family residential	163,914	55	7,795	—	—	171,764
Commercial and multifamily residential:						
Commercial land	183,701	4,217	1,861	—	—	189,779
Income property	1,287,729	5,885	8,385	—	—	1,301,999
Owner occupied	825,694	7,876	11,171	—		