ceocfointerviews.com

Issue: February 14, 2022

Culture Carries Columbia Bank Through Obstacles and Opportunities

Clint E. Stein
CEO/President

Columbia Banking System (NASDAQ: COLB)
https://www.columbiabank.com/

Contact:
Clint Stein
253-305-1900
leadership@columbiabank.com

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine

CEOCFO: ***Mr. Stein, would you give us a little background about Columbia Banking System?***
Mr. Stein: Columbia Banking system was formed in 1993 with the intent of filling a local community bank void that had been created in the early 90s due to the consolidation that was occurring within the industry. The IPO went out in 1993 and with disruption that was occurring in the marketplace, the bank grew very rapidly in the first few years. In the early 2000s, Columbia expanded from the Puget Sound region over to the Oregon coast and then partnered with the FDIC on five acquisitions of failed banks through the great recession.

Through a series of strategic acquisitions, the bank grew throughout Washington state and most of Oregon. Coming out of the great recession, we have done other acquisitions that have built our presence in Idaho, increased our market share in Oregon and expanded our footprint into northern California.

CEOCFO: ***What do you look for in an acquisition? How do you know when another bank is the right choice to bring into the fold?***
Mr. Stein: The most important aspect from our perspective and what we always focus on is the cultural fit and whether our style of banking is compatible. It is important that there is synergy over the type of businesses and individuals that both banks look to attract. We start by looking at the balance sheet to get a feel for that mix and then delve deeper into their business model. The reason is that we are very much a relationship-oriented institution. That may be a common phrase to hear in our industry but that has truly been our approach since 1993. It is a very simple mission that has served us well. We want to bank small and mid-size businesses while offering a full suite of wealth management solutions and premium personal banking options to their owners and their employees.

We lead with commercial first and that is a different model than a very heavy consumer bank or thrift model where you are doing a lot of mortgage loans and funding your balance sheet with CDs and things of that nature. If you have somebody that is doing that, it is very hard for them to pivot to a C&I based, commercial focused institution. As a merger partner, it would be a very challenging cultural fit. Once we see what their business model looks like, then we start to dive deeper into how they activate their culture. We want to know their core values, who they consider their primary stakeholders and how they have embedded all of those things in the way they make decisions and operate on a day-to-day basis. If those pass all of our filters then we move forward.

CEOCFO: ***What would be different when you are working with a client?***
Mr. Stein: From our perspective, it is as simple as understanding their needs and then getting the right banker in front of them. We have always strived to bank the business, bank the owners and their employees. Each of these customer segments have distinct needs and we deploy a team of bankers with strong subject matter expertise to support the relationship. The business may have some treasury management needs, so we make sure we have the expertise in our treasury management group needed to support it. When they are talking about this aspect of the relationship, our treasury management talent is there and offering their perspective, insight and their assistance to the client.

If you think on the wealth management side, they may have a need for trust services, brokerage service or life insurance. We bring expertise from our financial services group or our trust company to support those needs. If a relationship is more on the consumer side, then it is about how we interact with the clients when they are contacting us either by coming into our branches, through our contact center or through our mobile and digital offering. We exceed their expectations at every turn and ensure we have a contemporary set of products and technology to enable them to take advantage of our services when, how and where they want.

"In our culture we believe success is a simple equation. If we take care of our employees, they will take great care of our customers and drive shareholder returns." Clint E. Stein

CEOCFO: ***Do the banks you acquire come under one name or keep their own name?***
Mr. Stein: Historically they have come under one name but there have been times where we have entered a new market and leveraged the brand recognition of an acquired partner. We entered the Oregon market through the acquisition of the Bank of Astoria on the Oregon coast. We kept the Bank of Astoria name for six or seven years because Columbia did not have an established brand in Oregon at the time and there was a large distance between the Oregon coast and our southwest Washington locations. As we expanded our presence in southwest Washington and grew a network throughout Oregon, we built brand recognition under the Columbia name. We eventually folded the Bank of Astoria brand into Columbia. We leveraged the same strategy this past year with our entry into California. We purchased Bank of Commerce Holdings which operated under the Merchants Bank of Commerce name. Columbia did not have a physical presence in California and our expectation at the time was to continue to grow and transition the brand at a later time when we filled out a presence in southwest Oregon.

I guess the short answer is it is situational. If there is a brand that has particular power and resonates within a region that is disconnected from our established footprint, then we are open to operating a separate brand. If it is within our existing footprint, we feel we have a very powerful brand and we want to leverage that.

CEOCFO: ***What have you learned over the years about integrating acquisitions, is it any easier today*?**
Mr. Stein: Human nature is still human nature and each one is different. Each integration provides an opportunity to learn and to improve. That has been our approach. We are a learning organization. There are so many variables that go into it but I would say the most important aspect is communication. Frequent and clear communication is critical. No matter how many times you communicate something, it never hurts to reinforce it one more time. With transparent and open communication, you combat uncertainty. Uncertainty is a vacuum that leads to anxiety. Communicate often and you overcome uncertainty.

The other component of it is how we insulate to the fullest extent possible our customer facing bankers and our clients from all the internal aspects of an integration so that it is seamless for them. If you do that, you sustain your organic momentum in addition to the integration. I would say that was something we have made a strategic priority in the last couple of transactions that we have done.

CEOCFO: ***Would you tell us about your merger with Umpqua Bank and what it will mean for Columbia Banking System?***
Mr. Stein: Both banks are essentially trying to fill the same place within our Northwest markets. Both have worked to become the kind of leading regional bank that has not existed in the market since the 90s. We had some pretty

significant regional banks headquartered in the Northwest throughout that period. A few Northwest banks have grown considerably: ourselves, Umpqua and some others, and we are all reaching to establish another leading institution.

When we started contemplating what a merger with Umpqua would look like, it became clear we could accelerate our 10-year strategic vision for the company with this one integration. Both banks would achieve our goals and create a leading west coast franchise.

We then went through the typical considerations we would go through for any other M&A type transaction. We started talking about business models and culture. Like any other transaction, we looked to see if those would be a fit. What we uncovered were highly complementary strengths that would position the combined bank in such a way where 1 plus 1 equals 3 rather than 2.

CEOCFO: ***Did you find some things that would accomplish that for you?***
Mr. Stein: Columbia has a very strong healthcare lending group. We have been doing it for a long time on a regional level, but we also have a national platform in about 46 states. It is a lot of dentists, veterinarians and other medical practices. However, we do not have a leasing product. Umpqua has a very successful leasing company as a subsidiary so that is an instant add that we can leverage to grow and expand our existing relationships.

Another example is mortgage. We have always led with a strong commercial offering. That focus kept us from prioritizing a strong home lending program. We have worked for many years to improve our platform and are seeing success, but it is still a very small part of what we do. By contrast, Umpqua has a very well-developed home lending platform. When we look at deploying that across our 150 plus locations, we see substantial opportunities to expand what they have been doing across our combined customer base.

One other component is Columbia's wealth management platform, which continues to see record growth, record earnings and record fee income for us year after year. Umpqua's wealth management platform was not as comprehensive, so we see the ability to broaden the offering of wealth management and trust solutions across their commercial customer base as well as across the base of owners and employees of those businesses. This will continue to accelerate what Columbia has been doing on a standalone basis.

When you consider each facet of our individual operations, you see how complementary our banks are. If we do something very well, we think it can add to what Umpqua has been doing. The reverse is true as well. There are things Umpqua does very well that would be additive to us. On a combined basis, we are going to have about a million customers. When you consider the possibilities with those complementary examples the potential is pretty substantial.

CEOCFO: ***How have you helped and continue to help your clients through COVID?***
Mr. Stein: What started Cort Ohaver, the CEO of Umpqua thinking about how compatible our two companies could be, was a call we had about a COVID relief program initiated by the State of Oregon. Umpqua was tapped to distribute relief funds from the program to residents of Oregon and there were some markets where Umpqua did not have branch locations. Cort reached out to a lot of the big national banks with locations in those markets and none of them would step forward and offer to help. He went through a period of a week or two trying to get them on board. He picked up the phone and called me and within 30 seconds I said, "If we can help, we are in." We had the program up and running in four days. I think he saw that we truly care about the prosperity of each and every community we serve and that is very much aligned with their values.

We have done a variety of things to help clients struggling with the impacts of COVID. We are very proud of the support we provided through the Paycheck Protection Program. We did roughly $1.7 billion of Paycheck Protection loans but the smallest one we did was less than $100. Some banks only focused on the big loans but we focused on anybody that qualified and had a need that we could serve. We also released all restrictions on all contributions and sponsorships to nonprofits so that they could change how they used the funds to respond to the pandemic. In the second half of 2020, we created our Pass-it-On project, which paid small businesses working to recover from the economic downturn to provide a service to somebody who had been affected by COVID. The program continues to operate in all four states where we have a presence.

Another important step we took was to safely remain open for our clients. There are still many banks operating on an appointment only basis or offering drive-up only services. This is particularly difficult for small business customers with large amounts of cash and individuals who do not own a car. We briefly closed our branch lobbies to provide time for us to adjust our protocols and put additional safety measures in place. We also needed to adjust to the challenges that mask mandates presented for the safety of our bankers. For hundreds of years, when someone entered a bank with a mask on it was never a good thing. It just took us a little bit of time to design some processes, protocols, and train our staff and get them comfortable with it. We have been operating safely throughout the pandemic while remaining accessible for clients. I think that has been a source of frustration for a lot of people that either their bank lobby or their whole branch was closed. We have generated a lot of new business simply by remaining open safely and being accessible for our clients and communities.

CEOCFO: ***As you continue to grow how do you keep track of what is happening at the various branches and banks so you know what is happening and to ensure the quality relationship with your clients?***
Mr. Stein: We do poll surveys with clients and engagement surveys with our team members to keep a pulse on the organization. We also have regular all-employee calls and I take time to remain very visible throughout our entire footprint, meeting with a variety of clients and bankers. We have a really strong team of leadership throughout the organization. Most importantly, we have a very clear culture statement and the corporate values that underpin that statement are very clear and well understood throughout the company.

I think that regardless of how far away from the corporate headquarters an individual is, they know what we stand for, they know what our ethos is and they buy into it. It is something that they want to be a part of and the biggest key to continuing to deliver on our customer value proposition.

CEOCFO: ***Why take a look at Columbia Banking Systems from a customer perspective but also from an investor perspective?***
Mr. Stein: I think from a customer perspective we do things differently. We have demonstrated the benefits of our relationship focused approach throughout our history and customers can rely on the expertise and counsel of our bankers. Whether they have sold their business and have some wealth management needs, are opening their first bank account or trying to buy their first business, we have the expertise to help. At the end of the day, it all comes down to people. There is a lot of talk about technology and transformation. Technology is simply a tool. We have to have it but it does not replace the value of one-on-one relationships and the needs you can uncover from a personal conversation. From a customer perspective, I think that differentiates us.

In our culture, we believe success is a simple equation. If we take care of our employees, they will take great care of our customers and drive shareholder returns. We have a history of growing our business, delivering solid returns to our investors and executing on the strategies that we put in place whether it is M&A or organic growth. We have a long track record of credibility with our shareholder base and that goes a long way. It is not something we take for granted. We work hard to retain it each and every day.

ColumbiaBank