

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, 2018

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-38456

Columbia Financial, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

22-3504946
(I.R.S. Employer Identification
Number)

19-01 Route 208 North, Fair Lawn, New Jersey
(Address of principal executive offices)

07410
(Zip Code)

(800) 522-4167
(Registrant's telephone number, including area code)

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 every Interactive Data File required to be submitted 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 such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☐	Accelerated filer	☐	Smaller reporting company	☐
Non-accelerated filer	☒	Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

115,889,175 shares of the Registrant's common stock, par value of \$0.01 per share, were issued and outstanding as of November 14, 2018.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES
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COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)

	September 30,	December 31,
	2018	2017
	(In thousands)	
Assets		
Cash and cash at banks	\$ 54,706	\$ 65,334
Short-term investments	128	164
Total cash and cash equivalents	54,834	65,498
Securities available-for-sale, at fair value	987,076	710,570
Securities held-to-maturity, at amortized cost (fair value of \$251,417 and \$236,125 at September 30, 2018 and December 31, 2017, respectively)	264,184	239,618
Federal Home Loan Bank stock	56,532	44,664
Loans held-for-sale, at fair value	1,860	—
Loans receivable, net	4,843,297	4,400,470
Accrued interest receivable	18,594	15,915
Real estate owned	251	959
Office properties and equipment, net	48,671	42,620
Bank-owned life insurance	183,145	150,521
Goodwill and intangible assets	5,940	5,997
Other assets	103,469	89,668
Total assets	\$ 6,567,853	\$ 5,766,500
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	\$ 4,372,345	\$ 4,263,315
Borrowings	1,135,730	929,057
Advance payments by borrowers for taxes and insurance	32,732	25,563
Accrued expenses and other liabilities	80,000	76,495
Total liabilities	5,620,807	5,294,430
Stockholders' equity:		
Preferred stock, \$0.01 par value. Authorized 10,000,000 shares; none issued and outstanding at June 30, 2018 and December 31, 2017	—	—
Common stock, \$0.01 par value. Authorized 500,000,000 shares; 115,889,175 shares issued and outstanding at September 30, 2018 and 0 shares issued and outstanding at December 31, 2017	1,159	—
Additional paid-in capital	526,716	—
Retained earnings	545,349	537,480
Accumulated other comprehensive loss	(81,770)	(65,410)
Unallocated common stock held by the Employee Stock Ownership Plan	(44,408)	—
Total stockholders' equity	947,046	472,070
Total liabilities and stockholders' equity	\$ 6,567,853	\$ 5,766,500

See accompanying notes to unaudited consolidated financial statements.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Operations (Unaudited)

(Dollars in thousands, except for per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Interest and dividend income:				
Loans receivable	\$ 48,585	\$ 42,891	\$ 138,291	\$ 125,474
Securities available-for-sale	6,651	4,164	17,987	12,856
Securities held-to-maturity	1,798	68	5,253	68
Federal funds and interest earning deposits	44	185	1,116	274
Federal Home Loan Bank stock dividends	617	512	1,861	1,426
Total interest and dividend income	57,695	47,820	164,508	140,098
Interest expense:				
Deposits	10,420	6,911	27,713	19,366
Borrowings	6,692	4,949	16,134	14,357
Total interest expense	17,112	11,860	43,847	33,723
Net interest income	40,583	35,960	120,661	106,375
Provision for loan losses	1,500	5,676	5,900	6,426
Net interest income after provision for loan losses	39,083	30,284	114,761	99,949
Non-interest income:				
Demand deposit account fees	1,000	982	2,920	2,818
Bank-owned life insurance	1,309	1,091	3,865	3,849
Title insurance fees	1,189	910	3,218	2,826
Loan fees and service charges	616	519	1,537	1,577
(Loss) Gain on securities transactions, net	—	(2,099)	116	(2,099)
(Loss) Gain on sale of loans receivable, net	—	(959)	15	(789)
(Loss) Gain on sale of real estate owned	(32)	(3)	(45)	245
Other non-interest income	1,208	1,189	3,654	3,839
Total non-interest income	5,290	1,630	15,280	12,266
Non-interest expense:				
Compensation and employee benefits expense	16,654	16,700	49,928	47,983
Occupancy expense	3,529	3,380	10,763	10,276
Federal insurance premiums expense	503	415	1,404	1,240
Advertising expense	1,003	1,564	3,142	3,367
Professional fees expense	341	577	954	1,135
Data processing expense	630	570	1,944	1,714
Charitable contribution to foundation	—	3,251	34,767	3,510
Other non-interest expense	3,930	3,749	11,470	10,770
Total non-interest expense	26,590	30,206	114,372	79,995
Income before income tax expense	17,783	1,708	15,669	32,220
Income tax expense	6,956	194	7,800	11,140
Net income	\$ 10,827	\$ 1,514	\$ 7,869	\$ 21,080
Basic and diluted earnings per share	\$ 0.10	N/A	\$ 0.07	N/A
Weighted average shares outstanding	111,391,704	N/A	111,372,033	N/A

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$ 10,827	\$ 1,514	\$ 7,869	\$ 21,080
Other comprehensive (loss) income, net of tax:				
Unrealized (losses) gains on securities available-for-sale	(5,358)	3,266	(18,186)	5,399
Accretion of unrealized gain on securities reclassified as held-to-maturity	(11)	(258)	(12)	(258)
Reclassification adjustment for gains included in net income	3	—	90	—
	(5,366)	3,008	(18,108)	5,141
Derivatives, net of tax				
Unrealized gain on swap contracts	1,240	93	1,746	62
	1,240	93	1,746	62
Employee benefit plans, net of tax:				
Amortization of prior service cost included in net income	—	—	98	(1)
Reclassification adjustment of actuarial net loss included in net income	—	25	519	1,379
Change in funded status of retirement obligations	(1,908)	14,832	(615)	13,401
	(1,908)	14,857	2	14,779
Total other comprehensive (loss) income	(6,034)	17,958	(16,360)	19,982
Total comprehensive income (loss), net of tax	\$ 4,793	\$ 19,472	\$ (8,491)	\$ 41,062

See accompanying notes to unaudited consolidated financial statements.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

	Common stock	Additional paid-in-capital	Retained earnings	Accumulated other comprehensive loss, net of tax	Unallocated common stock held by the employee stock ownership plan	Total stockholders' equity
(In thousands)						
Balance at December 31, 2016	\$ —	\$ —	\$ 501,014	\$ (66,162)	\$ —	\$ 434,852
Net income	—	—	21,080	—	—	21,080
Other comprehensive income	—	—	—	19,982	—	19,982
Balance at September 30, 2017	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 522,094</u>	<u>\$ (46,180)</u>	<u>\$ —</u>	<u>\$ 475,914</u>
Balance at December 31, 2017	\$ —	\$ —	\$ 537,480	\$ (65,410)	\$ —	\$ 472,070
Net income	—	—	7,869	—	—	7,869
Other comprehensive loss	—	—	—	(16,360)	—	(16,360)
Issuance of common stock to Columbia Bank, MHC	626	—	—	—	—	626
Issuance of common stock in initial public offering	498	491,304	—	—	—	491,802
Issuance of shares to Columbia Bank Foundation	35	34,732	—	—	—	34,767
Purchase of Employee Stock Ownership Plan shares	—	—	—	—	(45,428)	(45,428)
Employee Stock Ownership Plan shares committed to be released	—	680	—	—	1,020	1,700
Balance at September 30, 2018	<u>\$ 1,159</u>	<u>\$ 526,716</u>	<u>\$ 545,349</u>	<u>\$ (81,770)</u>	<u>\$ (44,408)</u>	<u>\$ 947,046</u>

See accompanying notes to unaudited consolidated financial statements.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
	2018	2017
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 7,869	\$ 21,080
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred loan origination fees and costs	1,420	945
Net amortization of premiums and discounts on securities	1,017	1,294
Amortization on mortgage servicing rights	57	76
Amortization of debt issuance costs	890	40
Depreciation and amortization of office properties and equipment	2,748	2,686
Provision for loan losses	5,900	6,426
(Gain) Loss on securities transactions, net	(116)	2,099
(Gain) Loss on sale of loans receivable, net	(15)	789
Loss (gain) on real estate owned, net	45	(245)
Gain on disposal of office properties and equipment	—	(14)
Deferred tax expense	6,764	11,482
Increase in accrued interest receivable	(2,679)	(629)
Increase in cash surrender value of bank-owned life insurance	(3,435)	(3,196)
Increase in other assets	(13,801)	(14,955)
Increase (decrease) in accrued expenses and other liabilities	3,505	(1,496)
Contribution of common stock to Columbia Bank Foundation	34,767	—
Employee stock ownership plan expense	1,700	—
Net cash provided by operating activities	46,636	26,382
Cash flows from investing activities:		
Proceeds from sales/calls of securities available-for-sale	11,513	129,335
Proceeds from principal pay downs / maturities on securities available-for-sale	49,446	51,411
Proceeds from principal pay downs / maturities on securities held-to-maturity	6,846	769
Purchases of securities available-for-sale	(361,263)	(149,506)
Purchases of securities held-to-maturity	(31,639)	(30,484)
Proceeds from sales of loans receivable	3,695	77,776
Purchases of loan receivables	(4,715)	(11,059)
Loan originations, net of principal payments	(451,223)	(291,173)
Purchase of bank-owned life insurance	(30,000)	(4,500)
Proceeds from bank-owned life insurance	811	977
Proceeds from sales of Federal Home Loan Bank stock	51,676	24,351
Purchases of Federal Home Loan Bank stock	(63,544)	(23,862)
Proceeds from sales of office properties and equipment	—	17
Additions to office properties and equipment	(8,799)	(5,607)
Proceeds from sales of real estate owned	914	1,278
Net cash used in investing activities	(826,282)	(230,277)
Cash flows from financing activities:		
Net increase in deposits	109,030	251,930
Proceeds from long-term borrowings	180,130	148,400
Payments for maturities, calls, and payoffs on borrowings	(17,478,700)	(4,777,450)
Increase in short-term borrowings	17,555,900	4,638,250
Payment for trust preferred securities	(51,547)	—
Increase in advance payments by borrowers for taxes and insurance	7,169	3,179
Issuance of common stock	492,428	—
Purchase of employee stock ownership plan shares	(45,428)	—

Net cash provided by financing activities

768,982

264,309

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
	2018	2017
	(In thousands)	
Net (decrease) increase in cash and cash equivalents	(10,664)	60,414
Cash and cash equivalents at beginning of year	65,498	40,561
Cash and cash equivalents at end of period	<u>\$ 54,834</u>	<u>\$ 100,975</u>
Cash paid during the period for:		
Interest	\$ 45,306	\$ 34,575
Income tax payments, net	\$ 13,435	\$ 21,302
Non-cash investing and financing activities:		
Transfer of loans receivable to real estate owned	\$ 251	\$ 538
Transfer of loans to held-for-sale from loans receivable	1,860	—
Transfer of securities from available-for-sale to held-to-maturity	—	103,680

See accompanying notes to unaudited consolidated financial statements.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. Basis of Financial Statement Presentation

The accompanying unaudited consolidated financial statements include the accounts of Columbia Financial, Inc., its wholly-owned subsidiary Columbia Bank (the "Bank") and the Bank's wholly-owned subsidiaries (collectively, the "Company"). In consolidation, all significant inter-company accounts and transactions are eliminated.

Columbia Financial, Inc. is a majority-owned subsidiary of Columbia Bank, MHC (the "MHC"). The accounts of the MHC are not consolidated in the accompanying consolidated financial statements of the Company.

In preparing the interim unaudited consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheets and consolidated statements of operations for the periods presented. Material estimates that are particularly susceptible to change are: the allowance for loan losses, the valuation of securities, the valuation of post-retirement benefits and the valuation of deferred tax assets. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are deemed necessary. While management uses its best judgment, actual amounts or results could differ significantly from those estimates.

The interim unaudited consolidated financial statements of the Company presented herein have been prepared in accordance with the rules of the Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-Q and U.S. generally accepted accounting principles in the United States of America ("GAAP"). Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC.

In the opinion of management, all adjustments and disclosures considered necessary for the fair presentation of the accompanying unaudited consolidated financial statements have been included. Interim results are not necessarily reflective of the results of the entire year or any other period. Certain reclassifications have been made in the consolidated financial statements to conform with current year classification and presentation.

2. Earnings per Share

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of shares outstanding during the period. For purposes of calculating basic earnings per share, weighed average common shares outstanding excludes unallocated employee stock ownership plan shares that have not been committed for release.

Diluted earnings per share is computed using the same method as basic earnings per share and reflects the potential dilution which could occur if stock options and unvested shares were exercised and converted into common stock. The potentially diluted shares would then be included in the weighted average number of shares outstanding for the period using the treasury stock method. For the three and nine months ended September 30, 2018 and 2017, the Company did not have any stock options outstanding.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share calculations for the three and nine months ended September 30, 2018 and 2017 :

(Dollars in thousands, except per share amounts)	For the Three Months Ended September 30,	
	2018	2017
Net income	\$ 10,827	\$ 1,514
Basic earnings per share:		
Income available to common stockholders	\$ 10,827	\$ 1,514
Weighted average shares outstanding - basic	111,391,704	N/A
Basic earning per share	\$ 0.10	N/A
Diluted earnings per share:		
Income available to common stockholders	\$ 10,827	\$ 1,514
Weighted average shares outstanding - diluted	111,391,704	N/A
Diluted earnings per share	\$ 0.10	N/A

	For the Nine Months Ended September 30,	
	2018	2017
Net income	\$ 7,869	\$ 21,080
Basic earnings per share:		
Income available to common stockholders	\$ 7,869	\$ 21,080
Weighted average shares outstanding - basic	111,372,033	N/A
Basic earning per share	\$ 0.07	N/A
Diluted earnings per share:		
Income available to common stockholders	\$ 7,869	\$ 21,080
Weighted average shares outstanding - diluted	111,372,033	N/A
Diluted earnings per share	\$ 0.07	N/A

3. Recent Accounting Pronouncements

As an “emerging growth company” as defined in Title 1 of the Jumpstart Our Business Startups (JOBS) Act, the Company has elected to use the extended transition period to delay the adoption of new or reissued accounting pronouncements applicable to public companies until such pronouncements are made applicable to non-public entities. With respect to the accounting pronouncements noted below, the effective dates of adoption for the Company are delayed commensurate with the dates of adoption for private companies.

In August 2018, Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2018-13, Fair Value Measurement (Topic 820): "Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement". The purpose of this updated guidance is to improve the effectiveness and disclosures in the notes to the financial statements. The ASU removes the requirement to disclose the amount of and reason for transfers between Level 1 and 2 of the fair value hierarchy; removes the policy for timing of transfers between levels and removes the disclosure related to the valuation process for Level 3 fair value measurements. The ASU also modifies existing disclosure requirements which relate to the disclosure for investments in certain entities which calculate net asset value and clarifies the disclosure about uncertainty in the measurement as of the reporting date. For all entities, the effective date for this guidance is fiscal years beginning after December 15, 2019, including interim periods within the reporting period, with early adoption permitted. The Company is currently evaluating the impact of the new guidance on the Company's consolidated financial statements.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In July 2018, the FASB issued ASU No. 2018-11, Leases (Topic 842): "Targeted Improvements". The objective of this guidance is to improve the effectiveness and disclosures in the notes to the financial statements. The ASU provides entities with an additional transition method to adopt the new lease standard and provide lessors with a practical expedient. The ASU does not change the existing disclosure requirements. For non-public entities, the guidance is effective for fiscal years beginning after December 15, 2019 in conjunction with adoption of ASU 2016-02. The Company is currently evaluating the impact of the new guidance on the Company's consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220). The updated guidance allows a reclassification from accumulated other comprehensive income to retained earnings for the stranded tax effects resulting from the Tax Cuts and Jobs Act disclosed in Note 9. The purpose of the guidance is to improve the usefulness of the information reported to the financial statement users. The guidance is effective for all entities for fiscal years beginning after December 31, 2018 and interim periods within those fiscal years. Early adoption is permitted. The Company early adopted ASU No. 2018-02 for the period ended December 31, 2017 and the impact of the adoption resulted in a reclassification adjustment between accumulated other comprehensive income and retained earnings of \$11.7 million.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities (ASU 2017-12). The purpose of this updated guidance is to better align a company's financial reporting for hedging activities with the economic objectives of those activities. For non-public entities, the effective date for this guidance is fiscal years beginning after December 15, 2019. ASU 2017-12 requires a modified retrospective transition method in which the Company will recognize the cumulative effect of the change on the opening balance of each affected component of equity in the statement of financial position as of the date of adoption. The Company evaluated the impact of the new guidance and concluded that the adoption of the ASU will not have a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-08, "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities." This guidance shortens the amortization period for premiums on callable debt securities by requiring that premiums be amortized to the first (or earliest) call date instead of as an adjustment to the yield over the contractual life. This change more closely aligns the accounting with the economics of a callable debt security and the amortization period with expectations that already are included in market pricing on callable debt securities. This guidance does not change the accounting for discounts on callable debt securities, which will continue to be amortized to the maturity date. This guidance includes only instruments that are held at a premium and have explicit call features. It does not include instruments that contain prepayment features, such as mortgage backed securities; nor does it include call options that are contingent upon future events or in which the timing or amount to be paid is not fixed. For non-public entities, the effective date for this guidance is fiscal years beginning after December 15, 2019. Transition is on a modified retrospective basis with an adjustment to retained earnings as of the beginning of the period of adoption. If early adopted in an interim period, adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company evaluated the impact of the new guidance and concluded that the adoption of the ASU will not have a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit Cost", which requires that companies disaggregate the service cost component from other components of net benefit cost. This update calls for companies that offer post-retirement benefits to present the service cost, which is the amount an employer has to set aside each quarter or fiscal year to cover the benefits, in the same line item with other current employee compensation costs. Other components of net benefit cost will be presented in the income statement separately from service costs component and outside the subtotal of income from operations, if one is presented. For non-public entities, this guidance is effective for fiscal years beginning after December 15, 2018. The Company evaluated the impact of the new guidance and concluded that the adoption of the ASU does not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Simplifying the Test for Goodwill Impairment." The main objective of this guidance is to simplify the accounting for goodwill impairment by requiring that impairment charges be based upon the first step in the current two-step impairment test under Accounting Standards Codification (ASC) 350. Currently, if the fair value of a reporting unit is lower than its carrying amount (Step 1), an entity calculates any impairment charge by comparing the implied fair value of goodwill with its carrying amount (Step 2). The implied fair value of goodwill is calculated by deducting the fair value of all assets and liabilities of the reporting unit from the reporting unit's fair value as determined in Step 1. To determine the implied fair value of goodwill, entities estimate the fair value of any unrecognized intangible assets and any corporate-level assets or liabilities that were included in the determination of the carrying amount and fair value of the reporting unit in Step 1. Under this guidance, if a reporting unit's carrying amount exceeds its fair value, an entity will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. This guidance eliminates the requirement to calculate a goodwill impairment charge using Step 2. This guidance does not change the guidance on completing Step 1 of the goodwill impairment test. Under this guidance, an entity will still be able to perform the current optional qualitative goodwill impairment assessment before determining

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

whether to proceed to Step 1. For non-public entities, the guidance will be applied prospectively and is effective for annual and interim impairment tests performed in periods beginning after December 15, 2020. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The Company is currently evaluating the impact of the new guidance on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," a new standard which addresses diversity in practice related to eight specific cash flow issues: debt prepayment or extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies), distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. For non-public entities, this guidance is effective for fiscal years beginning after December 15, 2018. Entities will apply the standard's provisions using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company evaluated the impact of the new guidance and concluded that the adoption of the ASU does not have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments". This guidance provides financial statement users with more decision-useful information about expected credit losses on financial instruments by a reporting entity at each reporting date. The amendments of this guidance require financial assets measured at amortized cost to be presented at the net amount expected to be collected. The allowance for credit losses would represent a valuation account that would be deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The income statement would reflect the measurement of credit losses that have taken place during the period. The measurement of expected credit losses would be based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. An entity would be required to use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. For non-public entities, the guidance is effective for fiscal years beginning after December 15, 2020. The Company is currently evaluating its existing systems and data to support the new standard as well as assessing the impact that the guidance will have on the Company's consolidated financial statements. The Company has formed a working group under the direction of the Chief Accounting Officer that is primarily comprised of individuals from finance, credit, risk management, and operations. The Company has been developing an implementation plan as well as considering the use of consultants to assist in the implementation.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". This guidance requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of future minimum lease payments, at the lease commencement date. Lessor accounting remains largely unchanged under the new guidance. For non-public entities, the guidance is effective for fiscal years beginning after December 15, 2019. A modified retrospective approach must be applied for leases existing at, or entered into after, the beginning of the earliest comparative period present in the financial statements. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements by reviewing its existing lease contracts and service contracts.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities". This guidance requires an entity to: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in other comprehensive income the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price; and (v) assess a valuation allowance on deferred tax assets related to unrealized losses on available-for-sale debt securities in combination with other deferred tax assets. This guidance provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes. The guidance also requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. For non-public entities, the guidance is effective for annual periods beginning after December 15, 2018. The Company evaluated the impact of the new guidance and concluded that the adoption of the ASU will not have a material impact on the Company's consolidated financial statements.

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In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." The objective of this amendment is to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. This update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are in the scope of other standards. For non-public entities, the guidance is effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2019. Subsequently, the FASB issued the following standards related to ASU No. 2014-09: ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations;" ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing;" ASU No. 2016-11, "Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of ASU No. 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting;" and ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients". These amendments are intended to improve and clarify the implementation guidance of ASU No. 2014-09 and have the same effective date as the original guidance. The Company's revenue is primarily comprised of net interest income on interest earning assets and liabilities and non-interest income. The scope of guidance explicitly excludes net interest income as well as other revenues associated with financial assets and liabilities, including loans, leases, securities and derivatives. The Company is currently evaluating the impact of the new guidance on the Company's consolidated financial statements and does not anticipate the new guidance to have a material impact.

4. Investment Securities

Securities Available-for-Sale

The following tables present the amortized cost, gross unrealized gains, gross unrealized losses and the fair value for securities available-for-sale at September 30, 2018 and December 31, 2017 :

	September 30, 2018			
	Amortized cost	Gross unrealized gains	Gross unrealized (losses)	Fair value
	(In thousands)			
U.S. government and agency obligations	\$ 54,813	—	(1,650)	\$ 53,163
Mortgage-backed securities and collateralized mortgage obligations	902,572	321	(30,207)	872,686
Municipal obligations	1,587	—	—	1,587
Corporate debt securities	54,492	13	(1,113)	53,392
Trust preferred securities	5,000	—	(407)	4,593
Equity securities	783	872	—	1,655
	\$ 1,019,247	1,206	(33,377)	\$ 987,076

	December 31, 2017			
	Amortized cost	Gross unrealized gains	Gross unrealized (losses)	Fair value
	(In thousands)			
U.S. government and agency obligations	\$ 39,909	17	(282)	\$ 39,644
Mortgage-backed securities and collateralized mortgage obligations	615,924	383	(9,695)	606,612
Municipal obligations	1,957	—	—	1,957
Corporate debt securities	54,489	536	(511)	54,514
Trust preferred securities	5,000	—	(344)	4,656
Equity securities	2,328	859	—	3,187
	\$ 719,607	1,795	(10,832)	\$ 710,570

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The table below presents the amortized cost and fair value of debt securities available-for-sale at September 30, 2018 by contractual maturity excluding equity securities. Expected maturities may differ from contractual maturities due to prepayment or early call privileges of the issuer.

	September 30, 2018	
	Amortized cost	Fair value
	(In thousands)	
One year or less	\$ 1,397	\$ 1,397
More than one year to five years	50,124	49,004
More than five years to ten years	59,371	57,890
More than ten years	5,000	4,444
	\$ 115,892	\$ 112,735
Mortgage-backed securities and collateralized mortgage obligations	902,572	872,686
	<u>\$ 1,018,464</u>	<u>\$ 985,421</u>

Mortgage-backed securities and collateralized mortgage obligations totaling \$902.6 million at amortized cost and \$872.7 million at fair value are excluded from the aggregated maturity balances above as their expected lives are likely to be shorter than the contractual maturity date due to principal prepayments.

For the three months ended September 30, 2018 , proceeds from a called security in the available-for-sale portfolio was \$1.5 million . No gross gains or losses were recognized on the security called during the quarter. For the nine months ended September 30, 2018 , proceeds from called securities in the available-for-sale portfolio totaled \$11.5 million , resulting in \$116 thousand of gross gains and zero gross losses.

For the three and nine months ended September 30, 2017 , proceeds from investment securities sold in the available-for-sale portfolio totaled \$129.3 million , resulting in \$325 thousand of gross gains and \$2.4 million of gross losses.

Securities available-for-sale with a fair value of \$129.5 million and \$204.3 million at September 30, 2018 and December 31, 2017 were sold under agreements to repurchase or were pledged as security for deposits of public funds as required and permitted by law.

The following tables summarize the fair value and gross unrealized losses of those securities that reported an unrealized loss at September 30, 2018 and December 31, 2017 and if the unrealized loss position was continuous for the twelve months prior to September 30, 2018 and December 31, 2017 :

	September 30, 2018					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Gross unrealized (losses)	Fair value	Gross unrealized (losses)	Fair value	Gross unrealized (losses)
	(In thousands)					
U.S. government and agency obligations	\$ 38,696	(1,169)	14,467	(481)	53,163	\$ (1,650)
Mortgage-backed securities and collateralized mortgage obligations	419,490	(8,722)	383,623	(21,485)	803,113	(30,207)
Corporate debt securities	39,107	(384)	9,271	(729)	48,378	(1,113)
Trust preferred securities	4,593	(407)	—	—	4,593	(407)
	<u>\$ 501,886</u>	<u>(10,682)</u>	<u>407,361</u>	<u>(22,695)</u>	<u>909,247</u>	<u>\$ (33,377)</u>

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		December 31, 2017			
		Less than 12 months	12 months or longer	Total	
		Gross unrealized (losses)	Gross unrealized (losses)	Gross unrealized (losses)	
Fair Value		Fair value	Fair value	Fair value	
(In thousands)					
U.S. government and agency obligations	\$ 29,654	(282)	—	—	29,654 \$ (282)
Mortgage-backed securities and collateralized mortgage obligations	514,283	(8,037)	48,788	(1,658)	563,071 (9,695)
Corporate debt securities	4,866	(135)	4,624	(376)	9,490 (511)
Trust preferred securities	—	—	4,656	(344)	4,656 (344)
	<u>\$ 548,803</u>	<u>(8,454)</u>	<u>58,068</u>	<u>(2,378)</u>	<u>606,871 \$ (10,832)</u>

The Company evaluates securities for other-than-temporary impairment at each reporting period and more frequently when economic or market conditions warrant such evaluation. The temporary loss position associated with securities available-for-sale was the result of changes in market interest rates relative to the coupon of the individual security and changes in credit spreads. The Company does not have the intent to sell securities in a temporary loss position at September 30, 2018, nor is it more likely than not that the Company will be required to sell the securities before their prices recover which may be maturity.

The Company did not record an other-than-temporary impairment charge on securities in the available-for-sale portfolio for the three and nine months ended September 30, 2018 and 2017.

Securities Held-to-Maturity

The following tables present the amortized cost, gross unrealized gains, gross unrealized losses and the fair value for securities held-to-maturity at September 30, 2018 and December 31, 2017 :

	September 30, 2018			
	Amortized cost	Gross unrealized gains	Gross unrealized (losses)	Fair value
	(In thousands)			
U.S. government and agency obligations	\$ 23,404	—	(547)	\$ 22,857
Mortgage-backed securities and collateralized mortgage obligations	240,780	344	(12,564)	228,560
	\$ 264,184	344	(13,111)	\$ 251,417

	December 31, 2017			
	Amortized cost	Gross unrealized gains	Gross unrealized (losses)	Fair value
	(In thousands)			
U.S. government and agency obligations	\$ 8,402	—	(58)	\$ 8,344
Mortgage-backed securities and collateralized mortgage obligations	231,216	—	(3,435)	227,781
	\$ 239,618	—	(3,493)	\$ 236,125

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The table below presents the amortized cost and fair value of debt securities held-to-maturity at September 30, 2018 by contractual maturity. Expected maturities may differ from contractual maturities due to prepayment or early call privileges of the issuer.

	September 30, 2018	
	Amortized cost	Fair value
	(In Thousands)	
More than one year to five years	\$ 5,000	\$ 4,915
More than five years to ten years	8,404	7,997
More than ten years	10,000	9,945
	23,404	22,857
Mortgage-backed securities and collateralized mortgage obligations	240,780	228,560
	<u>\$ 264,184</u>	<u>\$ 251,417</u>

Mortgage-backed securities and collateralized mortgage obligations totaling \$240.8 million at amortized cost and \$228.6 million at fair value are excluded from the maturity table above as their expected lives are likely to be shorter than the contractual maturity date due to principal prepayments.

Securities held-to-maturity with a fair value of \$95.4 million and \$78.2 million at September 30, 2018 and December 31, 2017 were sold under agreements to repurchase or were pledged as security for deposits of public funds as required and permitted by law.

There were no sales of securities from the held-to-maturity investment portfolio for the three and nine months ended September 30, 2018 and 2017.

The following tables summarize the fair value and gross unrealized losses of those securities that reported an unrealized loss at September 30, 2018 and December 31, 2017 and if the unrealized loss position was continuous for the twelve months prior to September 30, 2018 and December 31, 2017 :

	September 30, 2018					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Gross unrealized (losses)	Fair value	Gross unrealized (losses)	Fair value	Gross unrealized (losses)
	(In thousands)					
U.S. government and agency obligations	\$ 19,634	(362)	3,223	(185)	22,857	\$ (547)
Mortgage-backed securities and collateralized mortgage obligations	72,294	(2,835)	145,768	(9,729)	218,062	(12,564)
	<u>\$ 91,928</u>	<u>(3,197)</u>	<u>148,991</u>	<u>(9,914)</u>	<u>240,919</u>	<u>\$ (13,111)</u>

	December 31, 2017					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Gross unrealized (losses)	Fair value	Gross unrealized (losses)	Fair value	Gross unrealized (losses)
	(In thousands)					
U.S. government and agency obligations	\$ 8,344	(58)	—	—	8,344	\$ (58)
Mortgage-backed securities and collateralized mortgage obligations	196,049	(2,920)	30,046	(515)	226,095	(3,435)
	<u>\$ 204,393</u>	<u>(2,978)</u>	<u>30,046</u>	<u>(515)</u>	<u>234,439</u>	<u>\$ (3,493)</u>

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The Company evaluates securities for other-than-temporary impairment at each reporting period and more frequently when economic or market conditions warrant such evaluation. The temporary loss position associated with securities held-to-maturity was the result of changes in market interest rates relative to the coupon of the individual security and changes in credit spreads. The Company does not have the intent to sell securities in a temporary loss position at September 30, 2018 , nor is it more likely than not that the Company will be required to sell the securities before their prices recover which may be maturity.

The Company did not record an other-than-temporary impairment charge on securities in the held-to-maturity portfolio for the three and nine months ended September 30, 2018 and 2017.

5. Loans Receivable and Allowance for Loan Losses

Loans receivable at September 30, 2018 and December 31, 2017 are summarized as follows:

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	September 30, 2018	December 31, 2017
	(In thousands)	
Real estate loans:		
One-to-four family	\$ 1,823,266	\$ 1,616,259
Multifamily and commercial	2,089,130	1,871,210
Construction	269,729	233,652
Commercial business loans	304,221	277,970
Consumer loans:		
Home equity loans and advances	404,028	448,020
Other consumer loans	1,028	998
Total loans	4,891,402	4,448,109
Net deferred loan costs	15,301	10,539
Allowance for loan losses	(63,406)	(58,178)
Loans receivable, net	<u>\$ 4,843,297</u>	<u>\$ 4,400,470</u>

The Company transferred \$1.9 million of residential mortgage and home equity loans from the held-for-investment loan portfolio to loans held-for-sale during the three months ended September 30, 2018 . The transferred loans were recorded at their fair values based upon the third party contract price, which was determined to be lower than cost. The Company had no loans held-for-sale at December 31, 2017 .

There were no loans sold by the Company during the three months ended September 30, 2018 . The Company sold \$3.7 million of residential loans to third parties during the nine months ended September 30, 2018 . The Company sold \$46.6 million of residential loans to third parties during the three months ended September 30, 2017 . The Company sold \$77.8 million of residential loans to third parties during the nine months ended September 30, 2017 .

There were no loans purchased by the Company during the three months ended September 30, 2018 . The Company purchased \$2.6 million of residential loans and \$2.1 million of commercial real estate loans from third parties during the nine months ended September 30, 2018 . The Company purchased \$3.7 million of residential loans from third parties during the three months months ended September 30, 2017 and \$11.1 million of residential loans during the nine months ended September 30, 2017 .

At September 30, 2018 and December 31, 2017 , the carrying value of real estate loans serviced by the Company for investors was \$443.5 million and \$478.8 million , respectively.

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The following tables summarize the aging of loans receivable by portfolio segment at September 30, 2018 and December 31, 2017 :

September 30, 2018							
	30-59 days	60-89 days	Greater than 90 days	Total past due	Current	Total	
(In Thousands)							
Real estate loans:							
One to four family	\$ 9,853	1,665	2,008	13,526	1,809,740	\$	1,823,266
Multifamily and commercial	130	—	—	130	2,089,000		2,089,130
Construction	—	—	—	—	269,729		269,729
Commercial business loans	—	500	480	980	303,241		304,221
Consumer loans:							
Home equity loans advances	2,134	266	1,439	3,839	400,189		404,028
Other consumer loans	4	—	—	4	1,024		1,028
Total loans	\$ 12,121	2,431	3,927	18,479	4,872,923	\$	4,891,402
December 31, 2017							
	30-59 days	60-89 days	Greater than 90 days	Total past due	Current	Total	
(In thousands)							
Real estate loans:							
One to four family	\$ 7,080	1,229	3,360	11,669	1,604,590	\$	1,616,259
Multifamily and commercial	138	380	1,329	1,847	1,869,363		1,871,210
Construction	—	—	—	—	233,652		233,652
Commercial business loans	89	730	1,263	2,082	275,888		277,970
Consumer loans:							
Home equity loans advances	1,421	26	573	2,020	446,000		448,020
Other consumer loans	—	—	—	—	998		998
Total loans	\$ 8,728	2,365	6,525	17,618	4,430,491	\$	4,448,109

The Company considers a loan to be delinquent when we have not received a payment within 30 days of its contractual due date. A loan is designated as a non-accrual loan when the payment of interest is more than three months in arrears of its contractual due date. The accrual of income on a non-accrual loan is reversed and discontinued until the outstanding payments in arrears have been collected. The Company identifies loans that may need to be charged-off as a loss by reviewing all delinquent loans, classified loans and other loans that management may have concerns about collectability. At September 30, 2018 and December 31, 2017, non-accrual loans totaled \$3.9 million and \$6.5 million, respectively.

At September 30, 2018 and December 31, 2017, there were no loans past due 90 days or more and still accruing interest.

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The following table summarizes loans receivable and allowance for loan losses by portfolio segment and impairment method:

September 30, 2018								
	One to four family	Multifamily and commercial	Construction	Commercial Business	Home equity loans and advances	Other consumer	Unallocated	Total
(In thousands)								
Allowance for loan losses:								
Individually evaluated for impairment	\$ 473	—	—	377	34	—	—	\$ 884
Collectively evaluated for impairment	17,052	23,767	7,148	11,488	2,809	7	251	62,522
Total	<u>\$ 17,525</u>	<u>23,767</u>	<u>7,148</u>	<u>11,865</u>	<u>2,843</u>	<u>7</u>	<u>251</u>	<u>\$ 63,406</u>
Total loans:								
Individually evaluated for impairment	\$ 10,416	2,717	—	2,936	3,822	—	—	\$ 19,891
Collectively evaluated for impairment	1,812,850	2,086,413	269,729	301,285	400,206	1,028	—	4,871,511
Total	<u>\$ 1,823,266</u>	<u>2,089,130</u>	<u>269,729</u>	<u>304,221</u>	<u>404,028</u>	<u>1,028</u>	<u>—</u>	<u>\$ 4,891,402</u>
December 31, 2017								
	One to four family	Multifamily and commercial	Construction	Commercial Business	Home equity loans and advances	Other consumer	Unallocated	Total
(In thousands)								
Allowance for loan losses:								
Individually evaluated for impairment	\$ 423	28	—	80	15	—	—	\$ 546
Collectively evaluated for impairment	19,568	19,905	5,217	8,195	4,562	8	177	57,632
Total	<u>\$ 19,991</u>	<u>19,933</u>	<u>5,217</u>	<u>8,275</u>	<u>4,577</u>	<u>8</u>	<u>177</u>	<u>\$ 58,178</u>
Total loans:								
Individually evaluated for impairment	\$ 11,644	3,693	—	4,263	2,591	—	—	\$ 22,191
Collectively evaluated for impairment	1,604,615	1,867,517	233,652	273,707	445,429	998	—	4,425,918
Total	<u>\$ 1,616,259</u>	<u>1,871,210</u>	<u>233,652</u>	<u>277,970</u>	<u>448,020</u>	<u>998</u>	<u>—</u>	<u>\$ 4,448,109</u>

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Loan modifications to borrowers experiencing financial difficulties that are considered Troubled Debt Restructurings ("TDRs") primarily involve the lowering of the monthly payments on such loans through either a reduction in interest rate below a market rate, an extension of the term of the loan without a corresponding adjustment to the risk premium reflected in the interest rate, or a combination of these two methods. These modifications generally do not result in the forgiveness of principal or accrued interest. In addition, the Company attempts to obtain additional collateral or guarantor support when modifying such loans. Non-accruing restructured loans may be returned to accrual status when there has been a sustained period of repayment performance (generally six consecutive months of payments) and both principal and interest are deemed collectible.

The following tables present the number of loans modified as TDRs during the three and nine months ended September 30, 2018 and 2017, along with their balances immediately prior to the modification date and post-modification. Post-modification recorded investment represents the net book balance immediately following modification.

	For the Three Months Ended									
	September 30, 2018					September 30, 2017				
	No. of Loans	Pre-modification recorded investment		Post-modification recorded investment		No. of Loans	Pre-modification recorded investment		Post- modification recorded investment	
(In thousands)										
Troubled Debt Restructurings										
Real estate loans:										
One to four family	—	\$	—	\$	—	—	\$	—	\$	—
Multifamily commercial	—		—		—	1		3,964		3,964
Commercial business loans	—		—		—	1		18		18
Consumer loans:										
Home equity loans and advances	—		—		—	1		210		210
Total loans	—	\$	—	\$	—	3	\$	4,192	\$	4,192

	For the Nine Months Ended									
	September 30, 2018					September 30, 2017				
	No. of Loans	Pre-modification recorded investment		Post- modification recorded investment	No. of Loans	Pre-modification recorded investment		Post-modification recorded investment		
(In thousands)										
Troubled Debt Restructurings										
Real estate loans:										
One to four family	4	\$	462	\$	462	3	\$	543	\$	543
Multifamily commercial	—		—		—	1		3,964		—
Commercial business loans	—		—		—	1		18		—
Consumer loans:										
Home equity loans and advances	1		588		588	2		248		248
Total loans	5	\$	1,050	\$	1,050	7	\$	4,773	\$	791

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The activity in the allowance for loan losses by portfolio segment for the three and nine months ended September 30, 2018 and 2017 was as follows:

For the Three Months Ended September 30,								
	One to four family	Multifamily and commercial	Construction	Commercial Business	Home equity loans and advances	Other consumer	Unallocated	Total
(In Thousands)								
2018								
Balance at beginning of period	\$ 18,549	22,802	6,728	10,920	2,870	7	648	\$ 62,524
Provision charged (credited) to operations	(809)	965	420	1,118	202	1	(397)	1,500
Recoveries	108	—	—	24	17	—	—	149
Charge-offs	(323)	—	—	(197)	(246)	(1)	—	(767)
Balance at end of period	<u>\$ 17,525</u>	<u>23,767</u>	<u>7,148</u>	<u>11,865</u>	<u>2,843</u>	<u>7</u>	<u>251</u>	<u>\$ 63,406</u>
2017								
Balance at beginning of period	\$ 18,762	18,085	4,598	6,563	3,965	8	85	\$ 52,066
Provision charged (credited) to operations	631	743	701	2,338	1,251	3	9	5,676
Recoveries	150	75	—	14	40	—	—	279
Charge-offs	(1,010)	(874)	—	(435)	(1,066)	(3)	—	(3,388)
Balance at end of period	<u>\$ 18,533</u>	<u>18,029</u>	<u>5,299</u>	<u>8,480</u>	<u>4,190</u>	<u>8</u>	<u>94</u>	<u>\$ 54,633</u>

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For the Nine Months Ended September 30,

	One to four family	Multifamily and commercial	Construction	Commercial Business	Home equity loans and advances	Other consumer	Unallocated	Total
2018								
Balance at beginning of period	\$ 19,991	19,933	5,217	8,275	4,577	8	177	\$ 58,178
Provision charged (credited) to operations	(2,362)	3,962	1,928	3,902	(1,607)	3	74	5,900
Recoveries	280	—	3	111	119	5	—	518
Charge-offs	(384)	(128)	—	(423)	(246)	(9)	—	(1,190)
Balance at end of period	<u>\$ 17,525</u>	<u>23,767</u>	<u>7,148</u>	<u>11,865</u>	<u>2,843</u>	<u>7</u>	<u>251</u>	<u>\$ 63,406</u>
2017								
Balance at beginning of period	\$ 18,599	17,616	4,598	6,358	4,231	11	436	\$ 51,849
Provision charged (credited) to operations	1,058	1,417	701	2,541	1,042	9	(342)	6,426
Recoveries	265	75	—	163	53	—	—	556
Charge-offs	(1,389)	(1,079)	—	(582)	(1,136)	(12)	—	(4,198)
Balance at end of period	<u>\$ 18,533</u>	<u>18,029</u>	<u>5,299</u>	<u>8,480</u>	<u>4,190</u>	<u>8</u>	<u>94</u>	<u>\$ 54,633</u>

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present loans individually evaluated for impairment by loan segment:

	September 30, 2018		
	Recorded investment	Unpaid principal balance	Specific allowance
	(In thousands)		
With no allowance recorded:			
Real estate loans:			
One to four family	\$ 6,629	\$ 7,417	\$ —
Multifamily and commercial	2,717	2,727	—
Commercial business loans	—	—	—
Consumer loans:			
Home equity loans and advances	2,605	3,183	—
	11,951	13,327	—
With a specific allowance recorded:			
Real estate loans:			
One to four family	3,787	4,216	473
Commercial business loans	2,936	2,895	377
Consumer loans:			
Home equity loans and advances	1,217	1,633	34
	7,940	8,744	884
Total:			
Real estate loans:			
One to four family	10,416	11,633	473
Multifamily and commercial	2,717	2,727	—
Commercial business loans	2,936	2,895	377
Consumer loans:			
Home equity loans and advances	3,822	4,816	34
Total loans	\$ 19,891	\$ 22,071	\$ 884

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	December 31, 2017		
	Recorded investment	Unpaid principal balance	Specific allowance
	(In thousands)		
With no allowance recorded:			
Real estate loans:			
One to four family	\$ 8,870	\$ 9,704	\$ —
Multifamily and commercial	2,058	2,933	—
Commercial business loans	1,522	2,015	—
Consumer loans:			
Home equity loans and advances	2,161	2,601	—
	14,611	17,253	—
With a specific allowance recorded:			
Real estate loans:			
One to four family	2,774	2,788	423
Multifamily and commercial	1,635	2,208	28
Commercial business loans	2,741	2,741	80
Consumer loans:			
Home equity loans and advances			
	430	430	15
Total:	7,580	8,167	546
Real estate loans:			
One to four family	11,644	12,492	423
Multifamily and commercial	3,693	5,141	28
Commercial business loans	4,263	4,756	80
Consumer loans:			
Home equity loans and advances	2,591	3,031	15
Total loans	\$ 22,191	\$ 25,420	\$ 546

Specific allocations of the allowance for loan losses attributable to impaired loans totaled \$884 thousand and \$546 thousand at September 30, 2018 and December 31, 2017, respectively. At September 30, 2018 and December 31, 2017, impaired loans for which there was no related allowance for loan losses totaled \$12.0 million and \$14.6 million, respectively.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present interest income recognized for loans individually evaluated for impairment by loan segment for the three and nine months ended September 30, 2018 and 2017:

For the Three Months Ended				
September 30, 2018		September 30, 2017		
Average recorded Investment	Interest Income Recognized	Average recorded Investment	Interest Income Recognized	
(In thousands)				
Real estate loans:				
One to four family	\$ 10,606	\$ 107	\$ 14,154	\$ 113
Multifamily and commercial	2,717	30	5,084	39
Commercial business loans	3,098	24	3,508	31
Consumer loans:				
Home equity loans and advances	3,447	39	3,560	43
Total loans	<u>\$ 19,868</u>	<u>\$ 200</u>	<u>\$ 26,306</u>	<u>\$ 226</u>
For the Nine Months Ended				
September 30, 2018		September 30, 2017		
Average recorded Investment	Interest Income Recognized	Average recorded Investment	Interest Income Recognized	
(In thousands)				
Real estate loans:				
One to four family	\$ 10,873	\$ 105	\$ 15,476	\$ 135
Multifamily and commercial	2,961	29	6,504	33
Construction	—	—	168	—
Commercial business loans	3,390	25	3,843	29
Consumer loans:				
Home equity loans and advances	3,233	39	3,522	45
Total loans	<u>\$ 20,457</u>	<u>\$ 198</u>	<u>\$ 29,513</u>	<u>\$ 242</u>

The Company utilizes an internal eight-point risk rating system to summarize its loan portfolio into categories with similar risk characteristics. Loans deemed to be “acceptable quality” are rated 1 through 4 (Pass), with a rating of 1 established for loans with minimal risk. Loans that are deemed to be of “questionable quality” are rated 5 (Special Mention) or 6 (Substandard). Loans with adverse classifications are rated 7 (Doubtful) or 8 (Loss). The risk ratings are also confirmed through periodic loan review examinations which are currently performed by both an independent third-party and the Company's internal loan review department. Results from examinations are presented to the Audit Committee of the Board of Directors.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present loans receivable by credit quality risk indicator and by loan segment:

	September 30, 2018						
	Real Estate				Home equity loans and advances	Other consumer	Total
	One to four family	Multifamily and commercial	Construction	Commercial Business			
	(In thousands)						
Pass	\$ 1,816,636	2,074,363	269,729	290,382	402,011	1,028	\$ 4,854,149
Special mention	—	1,340	—	9,874	—	—	11,214
Substandard	6,630	13,427	—	3,965	2,017	—	26,039
Doubtful	—	—	—	—	—	—	—
Total	\$ 1,823,266	2,089,130	269,729	304,221	404,028	1,028	\$ 4,891,402

	December 31, 2017						
	Real Estate				Home equity loans and advances	Other consumer	Total
	One to four family	Multifamily and commercial	Construction	Commercial Business			
	(In thousands)						
Pass	\$ 1,606,672	1,851,772	233,652	268,355	446,364	998	\$ 4,407,813
Special mention	—	4,782	—	3,678	—	—	8,460
Substandard	9,587	14,656	—	5,937	1,656	—	31,836
Doubtful	—	—	—	—	—	—	—
Total	\$ 1,616,259	1,871,210	233,652	277,970	448,020	998	\$ 4,448,109

6. Deposits

Deposits at September 30, 2018 and December 31, 2017 are summarized as follows:

	September 30, 2018	December 31, 2017
(In thousands)		
Non-interest bearing transaction	\$ 716,352	\$ 681,869
Interest bearing transaction	1,225,776	1,370,403
Money market deposit accounts	281,059	262,396
Savings, including club deposits	518,787	544,765
Certificates of deposit	1,630,371	1,403,882
Total deposits	\$ 4,372,345	\$ 4,263,315

The aggregate amount of certificates of deposit that meet or exceed \$100,000 is approximately \$828.1 million and \$641.1 million as of September 30, 2018 and December 31, 2017, respectively.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

A summary of certificate accounts by maturity at September 30, 2018 and December 31, 2017 are summarized as follows:

	September 30, 2018	December 31, 2017
	(In thousands)	
Less than one year	\$ 907,820	\$ 669,610
More than one years to two years	462,826	474,475
More than two years to three years	215,777	169,069
More than three years to four years	31,358	68,184
More than four years	12,590	22,544
	<u>\$ 1,630,371</u>	<u>\$ 1,403,882</u>

7. Components of Periodic Benefit Costs

The Bank has a defined benefit pension plan (the "Pension Plan") covering its full-time employees who satisfy the Pension Plan's eligibility requirements. The benefits are based on years of service and the employee's compensation during the last five years of employment. Costs of the Pension Plan, based on the actuarial computations of the current future benefits for employees, are recognized to expense and are funded in part based on the maximum amount that can be deducted for federal income tax purposes. The Pension Plan's assets are primarily invested in fixed debt and equity securities. In addition to the Pension Plan, certain health care and life insurance benefits are made available to retirement employees.

The Bank has a retirement income maintenance plan (the "RIM Plan"). The RIM Plan is a non-qualified defined benefit plan which provides benefits to all employees of the Bank if their benefits under the Pension Plan are limited by the Internal Revenue Code Sections 415 and 401(a)(17).

Management continually reviews the Company's benefit programs to determine how our programs compare to the marketplace and our peers. Based on the most recent review of the pension plan, the Company has made changes to the existing benefit formula as it relates to the Cost of Living Adjustment ("COLA"). This change, which became effective July 1, 2018, affects employees hired prior to July 1, 2005. The COLA cap was reduced on future benefits from 3% to 1% with all benefits earned to date remaining the same. The decision was also made that, effective October 1, 2018, the Pension Plan would be closed to employees hired on and after that date. To continue to offer a competitive retirement program, for all employees hired on and after October 1, 2018, the Company will make a matching contribution, not to exceed 4.5% on participant deferrals into the Company's 401(k) plan.

Net periodic benefit cost (income) for pension benefits and other benefits for the three and nine months ended September 30, 2018 and 2017 includes the following components:

	For the Three Months Ended September 30,					
	Pension		RIM		Post-retirement	
	2018	2017	2018	2017	2018	2017
	(In thousands)					
Service cost	\$ 1,780	\$ 1,905	\$ 61	\$ 59	\$ 93	\$ 35
Interest cost	2,129	2,111	111	107	205	186
Expected return on plan assets	(4,815)	(6,202)	—	—	—	—
Amortization:						
Prior service cost	—	—	—	—	(34)	(34)
Net loss	707	2,750	103	113	69	81
Net periodic benefit cost (income)	<u>\$ (199)</u>	<u>\$ 564</u>	<u>\$ 275</u>	<u>\$ 279</u>	<u>\$ 333</u>	<u>\$ 268</u>

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Nine Months Ended September 30,

	Pension		RIM		Post-retirement	
	2018	2017	2018	2017	2018	2017
	(In thousands)					
Service cost	\$ 5,340	\$ 5,715	\$ 183	\$ 177	\$ 279	\$ 105
Interest cost	6,387	6,333	333	321	615	558
Expected return on plan assets	(14,445)	(18,606)	—	—	—	—
Amortization:						
Prior service cost	—	—	—	—	(102)	(102)
Net loss	2,121	8,250	309	339	207	243
Net periodic benefit cost (income)	\$ (597)	\$ 1,692	\$ 825	\$ 837	\$ 999	\$ 804

The net periodic benefit cost (income) for pension benefits and other benefits at September 30, 2018 were calculated using the December 31, 2017 third party actuarial valuation reports. For September 30, 2017, the September 30, 2017 third party actuarial valuation reports were utilized to calculate net periodic benefit cost for pension benefits.

8. Fair Value Measurements

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The determination of fair values of financial instruments often requires the use of estimates. Where quoted market values in an active market are not readily available, the Company utilizes various valuation techniques to estimate fair value.

Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, in many instances, fair value estimates may not be substantiated by comparison to independent markets and may not be realized in an immediate sale of the financial instrument.

U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by minimal or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The valuation techniques are based upon the unpaid principal balance only and exclude any accrued interest or dividends at the measurement date. Interest income and expense and dividend income are recorded within the consolidated statements of income depending on the nature of the instrument using the effective interest method based on the discount or premium.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The valuation techniques described below were used to measure fair value of financial instruments in the tables below on a recurring basis as of September 30, 2018 and December 31, 2017.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Securities Available-for-Sale

For securities available-for-sale, fair value was estimated using a market approach. The majority of the Company's securities are fixed income instruments that are not quoted on an exchange, but are traded in active markets. Prices for these instruments are obtained through third-party data service providers or dealer market participants with which the Company has historically transacted both purchases and sales of securities. Prices obtained from these sources include market quotations and matrix pricing. Matrix pricing, a Level 2 input, is a mathematical technique used principally to value certain securities to benchmark or to comparable securities. The Company evaluates the quality of Level 2 matrix pricing through comparison to similar assets with greater liquidity and evaluation of projected cash flows. As the Company is responsible for the determination of fair value, it performs quarterly analysis on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to a secondary pricing source. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to assess the reasonableness of the reported prices. The Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services has not historically resulted in an adjustment in the prices obtained from the pricing service. The Company also holds equity securities and debt instruments issued by the U.S. government and U.S. government-sponsored agencies that are traded in active markets with readily accessible quoted market prices that are considered Level 1 inputs.

Derivatives

The Company records all derivatives on the consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting.

The fair value of the Company's derivatives are determined using discounted cash flow analysis using observable market-based inputs, which are considered Level 2 inputs.

Assets Measured at Fair Value on a Non-Recurring Basis

The valuation techniques described below were used to estimate fair value of financial instruments measured on a non-recurring basis as of September 30, 2018 and December 31, 2017 .

Collateral Dependent Impaired Loans

For loans measured for impairment based on the fair value of the underlying collateral, fair value was estimated using a market approach. The Company measures the fair value of collateral underlying impaired loans primarily through obtaining independent appraisals that rely upon quoted market prices for similar assets in active markets. These appraisals include adjustments, on an individual case-by-case basis, to comparable assets based on the appraisers' market knowledge and experience, as well as adjustments for estimated costs to sell between 6% and 8% . The Company classifies these loans as Level 3 within the fair value hierarchy.

Foreclosed Assets

Assets acquired through foreclosure or deed in lieu of foreclosure are carried at fair value, less estimated selling costs which is estimated to be 6% . Fair value is generally based on independent appraisals that rely upon quoted market prices for similar assets in active markets. These appraisals include adjustments, on an individual case basis, to comparable assets based on the appraiser's market knowledge and experience, and are classified as Level 3. When an asset is acquired, the excess of the loan balance over fair value less estimated selling costs is charged to the allowance for loan losses. Operating results from real estate owned, including rental income, operating expenses, and gains and losses realized from the sales of real estate owned, are recorded as earned/incurred.

There were no changes to the valuation techniques for fair value measurements as of September 30, 2018 and December 31, 2017 .

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present the assets and liabilities reported on the consolidated balance sheets at their fair values as of September 30, 2018 and December 31, 2017, by level within the fair value hierarchy:

	September 30, 2018			
	Fair Value Measurements			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In thousands)			
Measured on a recurring basis:				
Securities available-for-sale:				
U.S. government and agency obligations	\$ 53,163	53,163	—	\$ —
Mortgage-backed securities and collateralized mortgage obligations	872,686	—	872,686	—
Municipal obligations	1,587	—	1,587	—
Corporate debt securities	53,392	—	53,392	—
Trust preferred securities	4,593	—	4,593	—
Equity securities	1,655	1,655	—	—
Total securities available-for-sale	\$ 987,076	54,818	932,258	\$ —
Derivative assets	2,625	—	2,625	—
	\$ 989,701	54,818	934,883	\$ —
Derivative liabilities	\$ 230	—	230	\$ —

		December 31, 2017			
		Fair Value Measurements			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
(In thousands)					
Measured on a recurring basis:					
Securities available-for-sale:					
U.S. government and agency obligations	\$ 39,644	39,644	—	\$ —	
Mortgage-backed securities and collateralized mortgage obligations	606,612	—	606,612	—	
Municipal obligations	1,957	—	1,957	—	
Corporate debt securities	54,514	—	54,514	—	
Trust preferred securities	4,656	—	4,656	—	
Equity securities	3,187	3,187	—	—	
Total securities available-for-sale	710,570	42,831	667,739	—	
Derivative assets	490	—	490	—	
	\$ 711,060	42,831	668,229	\$ —	
Derivative liabilities	\$ 203	—	203	\$ —	

There were no transfers between Level 1, Level 2 and Level 3 during the three and nine months ended September 30, 2018 and during the year ended December 31, 2017.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2018

	Fair Value Measurements			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(In thousands)				
Measured on a non-recurring basis:				
Real estate owned	\$ 251	—	—	\$ 251
Loans measured for impairment based on the fair value of the underlying collateral	1,257	—	—	1,257
	<u>\$ 1,508</u>	<u>—</u>	<u>—</u>	<u>\$ 1,508</u>

December 31, 2017

	Fair Value Measurements			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(In thousands)				
Measured on a non-recurring basis:				
Real estate owned	\$ 959	—	—	\$ 959
Loans measured for impairment based on the fair value of the underlying collateral	10,251	—	—	10,251
	<u>\$ 11,210</u>	<u>—</u>	<u>—</u>	<u>\$ 11,210</u>

The following table presents qualitative information for Level 3 assets measured at fair value on a non-recurring basis as of September 30, 2018 and September 30, 2017:

September 30, 2018

	Fair value	Valuation methodology	Unobservable inputs	Range of inputs
(In Thousands)				
Real estate owned	\$ 251	Appraised Value	Discount for cost to sell	6.0%
Loans measured for impairment based on the fair value of the underlying collateral	\$ 1,257	Appraised Value	Discount for cost to sell	6.0% - 8.0%

December 31, 2017

	Fair value	Valuation methodology	Unobservable inputs	Range of inputs
(In Thousands)				
Real estate owned	\$ 959	Appraised Value	Discount for cost to sell	6.0%
Loans measured for impairment based on the fair value of the underlying collateral	\$ 10,251	Appraised Value	Discount for cost to sell	6.0% - 8.0%

Other Fair Value Disclosures

The Company is required to disclose estimated fair value of financial instruments, both assets and liabilities on and off the balance sheet, for which it is practicable to estimate fair value. A description of the valuation methodologies used for those assets and liabilities not recorded at fair value on a recurring or non-recurring basis are set forth below.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Cash and Cash Equivalents

For cash and due from banks, federal funds sold and short-term investments, the carrying amount approximates fair value due to their nature and short-term maturities.

Investment Securities Held-to-Maturity

For securities held-to-maturity, fair value was estimated using a market approach. The majority of the Company's securities are fixed income instruments that are not quoted on an exchange, but are traded in active markets. Prices for these instruments are obtained through third-party data service providers or dealer market participants with which the Company has historically transacted both purchases and sales of securities. Prices obtained from these sources include market quotations and matrix pricing. Matrix pricing, a Level 2 input, is a mathematical technique used principally to value certain securities to benchmark or to compare securities. The Company evaluates the quality of Level 2 matrix pricing through comparison to similar assets with greater liquidity and evaluation of projected cash flows. As the Company is responsible for the determination of fair value, it performs quarterly analysis on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to a secondary pricing source. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to assess the reasonableness of the reported prices. The Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services has not historically resulted in an adjustment in the prices obtained from the pricing service. The Company also holds debt instruments issued by the U.S. government and U.S. government-sponsored agencies that are traded in active markets with readily accessible quoted market prices that are considered Level 1 inputs.

Federal Home Loan Bank Stock ("FHLB")

The carrying value of FHLB stock is its cost. The fair value of FHLB stock is based on redemption at par value. The Company classifies the estimated fair value as Level 2 within the fair value hierarchy.

Loans Receivable

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as commercial mortgage, residential mortgage, commercial, construction, etc. Each applicable loan category is further segmented into fixed and adjustable rate interest terms and into performing and non-performing categories. The fair value of performing loans is estimated using a combination of techniques, including a discounted cash flow model that utilizes a discount rate that reflects the Company's current pricing for loans with similar characteristics and remaining maturity, adjusted by an amount for estimated credit losses inherent in the portfolio at the balance sheet date. The rates take into account the expected yield curve, as well as an adjustment for prepayment risk, when applicable. The fair value estimated does not incorporate an exit value. The Company classifies the estimated fair value of its loan portfolio as Level 3.

The fair value for non-performing loans was based on recent external appraisals of collateral securing such loans, adjusted for the timing of anticipated cash flows. The Company classifies the estimated fair value of its non-performing loan portfolio as Level 3.

Loans Held-for-Sale

Loans held-for-sale are carried at the lower of the aggregate cost or estimated fair value, less costs to sell.

Deposits

The fair value of deposits with no stated maturity, such as non-interest bearing demand deposits and savings deposits, was equal to the amount payable on demand and classified as Level 2. The estimated fair value of certificates of deposit was based on the discounted value of contractual cash flows. The discount rate was estimated using the Company's current rates offered for deposits with similar remaining maturities. The Company classifies the estimated fair value of its certificates of deposit portfolio as Level 2.

Borrowed Funds

The fair value of borrowed funds was estimated by discounting future cash flows using rates available for debt with similar terms and maturities and is classified by the Company as Level 2 within the fair value hierarchy.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Commitments to Extend Credit and Letters of Credit

The fair value of commitments to extend credit and letters of credit was estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counter-parties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value estimates of commitments to extend credit and letters of credit are deemed immaterial in comparison to their carrying value.

The following tables present the assets and liabilities reported on the consolidated balance sheets at their fair values as of September 30, 2018 and December 31, 2017 :

	September 30, 2018				
	Fair Value Measurements				
	Carrying Value	Total Fair Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In thousands)				
Financial assets:					
Cash and cash equivalents	\$ 54,834	54,834	54,834	—	\$ —
Securities available-for-sale	987,076	987,076	54,818	932,258	—
Securities held-to-maturity	264,184	251,417	—	251,417	—
Federal Home Loan Bank stock	56,532	56,532	—	56,532	—
Loans held-for-sale	1,860	1,860	—	1,860	—
Loans receivable, net	4,843,297	4,706,875	—	—	4,706,875
Derivative assets	2,625	2,625	—	2,625	—
Financial liabilities:		—			
Total deposits	\$ 4,372,345	4,355,309	—	4,355,309	\$ —
Borrowings	1,135,730	1,127,940	—	1,127,940	—
Derivative liabilities	\$ 230	230	—	230	\$ —

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017

		Fair Value Measurements			
	Carrying Value	Total Fair Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(In thousands)					
Financial assets:					
Cash and cash equivalents	\$ 65,498	65,498	65,498	—	\$ —
Securities available-for-sale	710,570	710,570	42,831	667,739	—
Securities held-to-maturity	239,618	236,125	—	236,125	—
Federal Home Loan Bank Stock	44,664	44,664	—	44,664	—
Loans receivable, net	4,400,470	4,367,945	—	—	4,367,945
Derivative assets	490	490	—	490	—
Financial liabilities:		—			
Total deposits	\$ 4,263,315	3,959,460	—	3,959,460	\$ —
Borrowings	929,057	925,032	—	925,032	—
Derivative liabilities	203	203	—	203	—

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial assets or liabilities include goodwill and other intangibles, deferred tax assets and premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

9. Other Comprehensive Income (Loss)

The following tables present the components of other comprehensive income (loss), both gross and net of tax, for the three and nine months ended September 30, 2018 and 2017:

	For the Three Months Ended					
	September 30, 2018			September 30, 2017		
	Before Tax	Tax Effect	After Tax	Before Tax	Tax Effect	After Tax
(In thousands)						
Components of Other Comprehensive (Loss) Income:						
Unrealized gains and losses on securities available-for-sale:						
Net (losses) gains arising during the period	\$ (5,992)	634	(5,358)	5,079	(1,813)	\$ 3,266
Accretion of unrealized gain (loss) on securities reclassified as held-to-maturity	1	(12)	(11)	(402)	144	(258)
Reclassification adjustment for gains included in net income	—	3	3	—	—	—
	(5,991)	625	(5,366)	4,677	(1,669)	3,008
Unrealized gain on swap contract	1,554	(314)	1,240	143	(50)	93
	1,554	(314)	1,240	143	(50)	93
Employee benefit plans:						
Amortization of prior service cost included in net income	—	—	—	—	—	—
Reclassification adjustment of actuarial net gain included in net income	—	—	—	—	25	25
Change in funded status of retirement obligations	—	(1,908)	(1,908)	23,115	(8,283)	14,832
	—	(1,908)	(1,908)	23,115	(8,258)	14,857
Total other comprehensive (loss) income	\$ (4,437)	(1,597)	(6,034)	27,935	(9,977)	\$ 17,958

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Nine Months Ended

	September 30, 2018			September 30, 2017		
	Before Tax	Tax Effect	After Tax	Before Tax	Tax Effect	After Tax
(In thousands)						
Components of Other Comprehensive (Loss) Income:						
Unrealized gains and losses on securities available-for-sale:						
Net (losses) gains arising during the period	\$ (23,253)	5,067	(18,186)	8,419	(3,020)	\$ 5,399
Accretion of unrealized loss on securities reclassified as held-to-maturity	(17)	5	(12)	(402)	144	(258)
Reclassification adjustment for gains included in net income	116	(26)	90	—	—	—
	(23,154)	5,046	(18,108)	8,017	(2,876)	5,141
Unrealized gain on swap contract	2,232	(486)	1,746	95	(33)	62
	2,232	(486)	1,746	95	(33)	62
Employee benefit plans:						
Amortization of prior service cost included in net income	125	(27)	98	—	(1)	(1)
Reclassification adjustment of actuarial net gain included in net income	663	(144)	519	1,998	(619)	1,379
Change in funded status of retirement obligations	(789)	174	(615)	21,117	(7,716)	13,401
	(1)	3	2	23,115	(8,336)	14,779
Total other comprehensive (loss) income	\$ (20,923)	4,563	(16,360)	31,227	(11,245)	\$ 19,982

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present the changes in the components of accumulated other comprehensive (loss) income, net of tax, for the three and nine months ended September 30, 2018 and 2017:

For the Three Months Ended								
September 30, 2018					September 30, 2017			
Unrealized (Losses) Gains on Securities Available- for- Sale	Unrealized Gain on Swaps	Employee Benefit Plans	Accumulated Other Comprehensive Loss		Unrealized (Losses) Gains on Securities Available- for- Sale	Unrealized Gains (Losses) on Swaps	Employee Benefit Plans	Accumulated Other Comprehensive Loss
(In Thousands)					(In Thousands)			
Balance at beginning of quarter	\$ (20,086)	730	(56,380)	(75,736)	(7,146)	(31)	(56,961)	\$ (64,138)
Current period changes in other comprehensive (loss) income	(5,366)	1,240	(1,908)	(6,034)	3,008	93	14,857	17,958
Total other comprehensive (loss) income	<u>\$ (25,452)</u>	<u>1,970</u>	<u>(58,288)</u>	<u>(81,770)</u>	<u>(4,138)</u>	<u>62</u>	<u>(42,104)</u>	<u>\$ (46,180)</u>

For the Nine Months Ended								
September 30, 2018					September 30, 2017			
Unrealized (Losses) Gains on Securities Available- for- Sale	Unrealized Gain on Swaps	Employee Benefit Plans	Accumulated Other Comprehensive Loss		Unrealized (Losses) Gains on Securities Available- for- Sale	Unrealized Gain on Swaps	Employee Benefit Plans	Accumulated Other Comprehensive Loss
(In Thousands)					(In Thousands)			
Balance at beginning of year	\$ (7,344)	224	(58,290)	(65,410)	(9,279)	—	(56,883)	\$ (66,162)
Current period changes in other comprehensive (loss) income	(18,108)	1,746	2	(16,360)	5,141	62	14,779	19,982
Total other comprehensive (loss) income	<u>\$ (25,452)</u>	<u>1,970</u>	<u>(58,288)</u>	<u>(81,770)</u>	<u>(4,138)</u>	<u>62</u>	<u>(42,104)</u>	<u>\$ (46,180)</u>

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following table reflects amounts reclassified from accumulated other comprehensive (loss) income to the consolidated statements of income and the affected line item in the statement where net income is presented for the three and nine months ended September 30, 2018 and 2017:

	For the Three Months Ended		
	9/30/2018	9/30/2017	
	(In Thousands)		
Accumulated other Comprehensive (Loss) Income Components			Affected line items in the Consolidated Statements of Income
Reclassification adjustment for gains included in net income	\$ —	\$ —	Gains on securities transactions, net
Reclassification adjustment of actuarial net gain included in net income	—	—	Compensation and employee benefits expense
Total before tax	—	—	
Income tax benefit	3	25	
Net of tax	\$ 3	\$ 25	

	For the Nine Months Ended		
	9/30/2018	9/30/2017	
	(In Thousands)		
Accumulated other Comprehensive (Loss) Income Components			Affected line items in the Consolidated Statements of Income
Reclassification adjustment for gains included in net income	\$ 116	\$ —	Gains on securities transactions, net
Reclassification adjustment of actuarial net gain included in net income	663	1,998	Compensation and employee benefits expense
Total before tax	779	1,998	
Income tax benefit	(170)	(619)	
Net of tax	\$ 609	\$ 1,379	

10. Derivatives and Hedging Activities

The Company offers currency forward contracts and interest rate swap contracts to certain commercial banking customers to manage their risk of exposure and risk management strategies. These contracts are simultaneously hedged by offsetting contracts with a third party, such that the Company would minimize its net risk exposure resulting from these transactions. In addition, the Company executes interest rate swaps with third parties to in order to hedge the interest expense of short-term Federal Home Loan Bank Advances.

Currency Forward Contracts. At September 30, 2018 , the Company had no currency forward contracts in place with commercial banking customers. At December 31, 2017 , the Company had a currency forward contract in place with a commercial banking customer with a notional amount of \$1.6 million . An offsetting currency forward contract with a third party was also in place at December 31, 2017 . The currency forward contracts do not meet hedge accounting requirements. Changes in the fair value of both the customer currency forward contract and the offsetting third party contract are recognized directly in earnings. Derivatives not designated in qualifying hedging relationships are not speculative and result from a service the Company provides to certain qualified commercial banking customers and are not used to manage interest rate risk in the Company's assets or liabilities.

Interest Rate Swaps. At September 30, 2018 , the Company had an interest rate swap in place with a commercial banking customer with a notional amount of \$16.0 million . The interest rate swap is simultaneously hedged by an offsetting interest rate swap that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate swap does not meet hedge accounting requirements, the changes in the fair value of both the customer and third party swap contracts are recognized directly in earnings. At December 31, 2017 the Company did not have any interest rate swaps with commercial banking customers. The Company executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

At September 30, 2018 and December 31, 2017, the Company had 21 and two interest rate swaps with a notional amount of \$275.0 million and \$20 million respectively to reduce the Company's exposure to volatility in short-term interest rates associated with its Federal Home Loan Bank advances. These interest rate swaps meet the hedge accounting requirements. Accordingly, the effective portion of changes in the fair value of the derivatives are recorded in accumulated other comprehensive income (loss) until earnings are affected by the variability in cash flows of the designated hedged item. The ineffective portion of changes in the fair value of these derivatives are recorded in earnings. Interest rate swaps designated as cash flow hedges involve the receipt of variable interest amounts from the swap counter-party in exchange for the Company making fixed-rate payments over the life of the agreements without the exchange of the underlying notional amount.

For the three and nine months ended September 30, 2018 and 2017, the Company did not record any hedge ineffectiveness associated with these contracts.

The tables below present the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Balance Sheets at September 30, 2018 and December 31, 2017 :

September 30, 2018				
	Asset Derivative		Liability Derivative	
	Consolidated Balance Sheet	Fair value	Consolidated Balance Sheet	Fair Value
		(In thousands)		(In thousands)
Derivatives:				
Interest rate products - designated	Other Assets	\$ 2,409	Other Liabilities	\$ —
Interest rate products - non-designated	Other Assets	216	Other Liabilities	230
Total derivative instruments		\$ 2,625		\$ 230

December 31, 2017				
	Asset Derivative		Liability Derivative	
	Consolidated Balance Sheet	Fair value	Consolidated Balance Sheet	Fair Value
		(In thousands)		(In thousands)
Derivatives:				
Interest rate products - designated	Other Assets	\$ 287	Other Liabilities	\$ —
Currency forward contract - non-designated hedge	Other Assets	203	Other Liabilities	203
Total derivative instruments		\$ 490		\$ 203

For the three and nine months ended September 30, 2018 the loss amount recognized in non-interest income was \$14 thousand related to the change in fair value of the non-designated interest rate products. No gains or losses were recorded in the consolidated statements of operations for the three and nine months ended September 30, 2017 .

Fee income related to the interest rate swap executed with a commercial banking customer totaled \$164 thousand for the three and nine months ended September 30, 2018 . No fee income was recorded for the three and nine months ended September 30, 2017 .

At September 30, 2018 and December 31, 2017 , the fair value of derivatives was in a net asset position. At September 30, 2018 and December 31, 2017 , accrued interest was \$123 thousand and \$7 thousand , respectively.

The Company has agreements with counterparties that contain a provision that if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default of its derivative obligations.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

11. Subsequent Events

The Company has evaluated events subsequent to September 30, 2018 and through the financial statement issuance date of November 14, 2018 . The Company has not identified any material subsequent events.

Columbia Financial, Inc.

Management's Discussion and Analysis

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Certain statements contained herein are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements may be identified by reference to a future period or periods, or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "estimate," "project," "intend," "anticipate," "continue," or similar terms or variations on those terms, or the negative of those terms. Forward-looking statements are subject to numerous risk factors and uncertainties, including, but not limited to, those set forth in the Company's prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b)(3) on February 8, 2018, and those related to the economic environment, particularly in the market areas in which the Company operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management, asset-liability management, the financial and securities markets and the availability of and costs associated with sources of liquidity.

The Company cautions readers not to place undue reliance on any such forward-looking statements which speak only as of the date made. The Company also advises readers that the factors listed above could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements. The Company does not have any obligation to update any forward-looking statements to reflect any subsequent events or circumstances after the date of this statement.

Comparison of Financial Condition at September 30, 2018 and December 31, 2017

Total assets increased \$801.4 million, or 13.9%, to \$6.6 billion at September 30, 2018 from \$5.8 billion at December 31, 2017. The increase in total assets was primarily attributed to increases in loans receivable, net, of \$442.8 million and available-for-sale securities of \$276.5 million. Loan growth was funded by \$492.4 million of net proceeds from the minority stock offering and increased borrowings and deposits.

Securities available-for-sale increased \$276.5 million to \$987.1 million at September 30, 2018 from \$710.6 million at December 31, 2017. Securities held-to-maturity increased \$24.6 million to \$264.2 million at September 30, 2018 from \$239.6 million at December 31, 2017. The net increase was driven by the purchase of investment securities funded by a portion of the proceeds received in connection with the minority stock offering.

Loans receivable, net increased \$442.8 million to \$4.8 billion at September 30, 2018 from \$4.4 billion at December 31, 2017. Multifamily and commercial, one-to-four family, construction and commercial business lending contributed \$217.9 million, \$207.0 million, \$36.1 million and \$26.3 million respectively to our loan growth. Home equity loans and advances declined \$44.0 million between December 31, 2017 and September 30, 2018. The decrease in home equity loans and advances was driven by lower originations.

Bank-owned life insurance increased \$32.6 million to \$183.1 million at September 30, 2018 from \$150.5 million at December 31, 2017. The increase is primarily the result of the purchase of \$30 million of additional bank-owned life insurance during the quarter ended September 30, 2018.

Total liabilities increased \$326.4 million, or 6.2%, to \$5.6 billion at September 30, 2018 from \$5.3 billion at December 31, 2017. The increase is primarily attributable to an increase in borrowings of \$206.7 million and total deposits of \$109.0 million to fund the increased loan demand. In August 2018, the Company redeemed, in full, \$51.5 million of junior subordinated debt securities. The increase in total deposits is attributed to higher certificate of deposit balances.

Total stockholders' equity increased \$475.0 million or 100.6%, to \$947.0 million at September 30, 2018 from \$472.1 million at December 31, 2017. The net increase was primarily due to the completion of the minority stock offering and earnings for the period.

Results of Operations for the Three Months Ended September 30, 2018 and September 30, 2017

Net income of \$10.8 million was recorded for the three months ended September 30, 2018 , compared to net income of \$1.5 million for the three months ended September 30, 2017 . The increase of \$9.3 million was primarily attributable to a \$4.6 million increase in net interest income coupled with a \$4.2 million decrease in the provision for loan losses. Non-recurring expenses recorded during the three months ended September 30, 2017 included \$3.3 million of cash contributions to the Columbia Bank Foundation, a \$2.1 million loss on the sale of investment securities and a \$959 thousand loss on the sale of loans.

On July 1, 2018, the State of New Jersey enacted tax law changes which impacted New Jersey's corporation business tax. Most notably is a new surtax of 2.5% which increases the New Jersey corporate business state tax rate from 9.0% to 11.5% and which was applied retroactively to January 1, 2018. The Company has completed its analysis of the changes in the state tax laws and recorded the effect of the provisions in our financial results for the three months ended September 30, 2018, as further discussed below.

The Company's net interest income was \$40.6 million for the three months ended September 30, 2018 , an increase of \$4.6 million , or 12.9% compared to \$36.0 million for the three months ended September 30, 2017 . The increase in net interest income was attributable to a \$9.9 million increase in interest and dividend income which was partially offset by a \$5.3 million increase in interest expense. The increase in interest and dividend income for the quarter ended September 30, 2018 was largely due to a \$434.5 million increase in average loans and a \$564.3 million increase in average investment securities.

The yield on total average earning assets increased five basis points for the quarter ended September 30, 2018. The yield on average loans increased 11 basis points to 4.01% from 3.90% , while the yield on investment securities increased 18 basis points to 2.75% from 2.57% for the quarter ended September 30, 2018 as compared to the quarter ended September 30, 2017 .

The \$3.5 million increase in interest expense on deposits was largely the result of a \$153.1 million increase in the average balance of interest bearing deposits combined with a 36 basis point increase in the cost of deposits which was driven by higher market rates and a shift in the mix between core deposits and certificates of deposit.

The Company's net interest margin for the quarter ended September 30, 2018 decreased 14 basis points to 2.65% compared to 2.79% for the quarter ended September 30, 2017 . The weighted average yield on interest-earning assets increased five basis points to 3.76% for the quarter ended September 30, 2018 compared to 3.71% for the quarter ended September 30, 2017 . The cost of average total interest bearing liabilities increased 35 basis points to 1.47% for the quarter ended September 30, 2018 as compared to 1.12% for the quarter ended September 30, 2017 .

The provision for loan losses was \$1.5 million for the three months ended September 30, 2018 , a decrease of approximately \$4.2 million from \$5.7 million for the three months ended September 30, 2017 . The decrease is driven primarily by the decline in problem loans.

Non-interest income was \$5.3 million for the three months ended September 30, 2018 , an increase of \$3.7 million from \$1.6 million for the three months ended September 30, 2017 . The increase is attributed to a \$2.1 million loss on the sale of investment securities and a \$959 thousand loss on mortgage loans sold to a third party during the quarter ended September 30, 2017 that did not reoccur during the quarter ended September 30, 2018 . Proceeds from the sale of investment securities were reinvested into higher yielding investment securities.

Non-interest expense was \$26.6 million for the three months ended September 30, 2018 , a decrease of \$3.6 million , or 12.0% , compared to \$30.2 million for the three months ended September 30, 2017 . The decrease was driven primarily by cash contributions totaling \$3.3 million to the Columbia Bank Foundation during the quarter ended September 30, 2017 that did not reoccur during the quarter ended September 30, 2018 .

Income tax expense was \$7.0 million for the quarter ended September 30, 2018 compared to \$0.2 million for the quarter ended September 30, 2017 . The Company recorded an additional \$2.2 million of income tax expense for the three months ended September 30, 2018 related to the New Jersey corporate business surtax of 2.5% and revaluation of our gross deferred tax assets and liabilities.

Results of Operations for the Nine Months Ended September 30, 2018 and September 30, 2017

For the nine months ended September 30, 2018 , net income decreased \$13.2 million to \$7.9 million , compared to net income of \$21.1 million for the nine months ended September 30, 2017 . The decrease was primarily attributable to the one-time \$34.8 million contribution of shares of the Company's common stock to the Columbia Bank Foundation and related tax benefit associated with the contribution during the nine months ended September 30, 2018 . This was partially offset by a \$14.3 million increase in net interest income, a \$2.1 million loss on the sale of investment securities and a \$959 thousand loss on mortgage loans sold to a third party during the nine months ended September 30, 2017 that did not reoccur during the nine months ended September 30, 2018 .

Net interest income was \$120.7 million for the nine months ended September 30, 2018 , an increase of \$14.3 million , or 13.4% compared to \$106.4 million for the nine months ended September 30, 2017 . The increase in net interest income was attributable to a \$24.4 million increase in interest and dividend income which was partially offset by a \$10.1 million increase in interest expense. The increase in interest and dividend income for the nine months ended September 30, 2018 was primarily the result of a \$341.2 million increase in average loans and a \$467.8 million increase in average investment securities.

The yield on average loans increased eight basis points to 3.99% from 3.91% and the yield on investment securities increased 15 basis points to 2.73% from 2.58% for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 .

For the nine months ended September 30, 2018 , interest expense on deposits was \$27.7 million , an increase of \$8.3 million or 43.1% compared to \$19.4 million for the nine months ended September 30, 2017 . The increase was primarily the result of a \$403.5 million increase in the average balance of total interest bearing deposits coupled with a 22 basis point increase in the cost of deposits.

The Company's net interest margin for the nine months ended September 30, 2018 decreased 10 basis points to 2.73% compared to 2.83% for the nine months ended September 30, 2017 . The weighted average yield on interest-earning assets increased one basis point to 3.73% for the nine months ended September 30, 2018 compared to 3.72% for the nine months ended September 30, 2017 . The cost of average total interest bearing liabilities increased 16 basis points to 1.25% for the nine months ended September 30, 2018 compared to 1.09% for the nine months ended September 30, 2017 .

For the nine months ended September 30, 2018 , the provision for loan losses was \$5.9 million , representing a decrease of \$526 thousand as compared to \$6.4 million for the nine months ended September 30, 2017 . The current provision reflects a continued decline in our non-performing loans and a decrease in net charge-offs for the comparable periods.

Non-interest income was \$15.3 million for the nine months ended September 30, 2018 , an increase of \$3.0 million , or 24.6% compared to \$12.3 million for the nine months ended September 30, 2017 . The increase was driven primarily by \$2.1 million of losses recorded on the sale of investment securities and losses of \$959 thousand on the sale of loans during the nine months ended September 30, 2017 , which did not reoccur in the 2018 period. Proceeds from the sale of investment securities were reinvested into higher yielding investment securities.

For the nine months ended September 30, 2018 , non-interest expense was \$114.4 million , an increase of \$34.4 million , or 43.0% , compared to \$80.0 million for the nine months ended September 30, 2017 . The increase was driven primarily by the \$34.8 million contribution of shares of Company common stock to the Columbia Bank Foundation during the nine months ended September 30, 2018 .

Income tax expense was \$7.8 million for the nine months ended September 30, 2018 , a decrease of \$3.3 million , or 30.0% , compared to \$11.1 million for the nine months ended September 30, 2017 . The Company recorded an additional \$2.2 million of tax expense in our financial results for the nine months ended September 30, 2018 related to the New Jersey corporate business surtax of 2.5% and revaluation of our gross deferred tax assets and liabilities. The decrease in the effective tax rate for the nine months ended September 30, 2018 compared to September 30, 2017 is primarily attributed to the Tax Cuts and Jobs Act.

Critical Accounting Policies

The Company considers certain accounting policies to be critically important to the fair presentation of its consolidated balance sheets and statements of income. These policies require management to make judgments on matters which by their nature have elements of uncertainty. The sensitivity of the Company's consolidated financial statements to these critical accounting policies, and the assumptions and estimates applied, could have a significant impact on its consolidated balance sheets and statements of income. Assumptions, estimates and judgments made by management can be influenced by a number of factors, including the general economic environment. The Company has identified the following as critical accounting policies:

- Adequacy of the allowance for loan losses
- Valuation of securities and impairment analysis
- Valuation of post-retirement benefits
- Valuation of deferred tax assets

The calculation of the allowance for loan losses is a critical accounting policy of the Company. The allowance for loan losses is a valuation account that reflects management's evaluation of the probable losses in the loan portfolio. Determining the amount of the allowance for loan losses involves a high degree of judgment. Estimates required to establish the allowance include: the overall economic environment, value of collateral, strength of guarantors, loss exposure in the event of default, the amount and timing of future cash flows on impaired loans, and determination of loss factors applied to the portfolio segments. These estimates are susceptible to significant change. Management regularly reviews loss experience within the portfolio, monitors current economic conditions and other factors related to the collectability of the loan portfolio. The Company maintains the allowance for loan losses through provisions for loan losses which are charged to income. Charge-offs against the allowance for loan losses are taken on loans where management determines that the collection of loan principal is unlikely. Recoveries made on loans that have been charged-off are credited to the allowance for loan losses.

As part of the evaluation of the adequacy of the allowance for loan losses, each quarter management prepares an analysis that categorizes the entire loan portfolio by certain risk characteristics such as loan type (residential mortgage, commercial mortgage, construction, commercial, etc.) and loan risk rating.

When assigning a risk rating to a loan, management utilizes an eight-point internal risk rating system. Loans deemed to be "acceptable quality" are rated 1 through 4, with a rating of 1 established for loans with minimal risk. Loans deemed to be of "questionable quality" are rated 5 (Special Mention) or 6 (Substandard). Loans with adverse classifications are rated 7 (Doubtful) or 8 (Loss). The risk ratings are also confirmed through periodic loan review examinations, which are currently performed by both an independent third-party and the Company's internal loan review department. The Company requires an annual review be performed above certain dollar thresholds, depending on loan type, to help determine the appropriate risk rating.

Management estimates the amount of loan losses for groups of loans by applying quantitative loss factors to the loan segments at the risk rating level and applying qualitative adjustments to each loan segment at the risk rating level. Quantitative loss factors give consideration to historical loss experience and migration experience by loan type based upon an appropriate look-back period, adjusted for a loss emergence period. Quantitative loss factors are evaluated periodically. Qualitative adjustments give consideration to other qualitative or environmental factors such as trends and levels of delinquencies, impaired loans, charge-offs, recoveries and loan volumes, as well as national and local economic trends and conditions. Qualitative adjustments reflect risks in the loan portfolio not captured by the quantitative loss factors and, as such, are evaluated from a risk level perspective relative to the risk levels present over the look-back period. The reserves resulting from the application of both the quantitative experience and qualitative factors are combined to arrive at the allowance for loan losses.

Management believes the primary risks inherent in the portfolio are a general decline in the economy, a decline in real estate market values, rising unemployment, elevated unemployment, increasing vacancy rates, and increases in interest rates in the absence of economic improvement. Any one or a combination of these events may adversely affect a borrowers' ability to repay their loan, resulting in increased delinquencies and loan losses. Accordingly, the Company has recorded loan losses at a level which is estimated to represent the current risk in its loan portfolio. Management considers it important to maintain the ratio of the allowance for loan losses to total loans at an acceptable level considering the current composition of the loan portfolio.

Although management believes that the Company has established and maintained the allowance for loan losses at appropriate levels, additional reserves may be necessary if future economic and other conditions differ substantially from the current operating environment. Management evaluates its estimates and assumptions on an ongoing basis and the estimates and assumptions are adjusted when facts and circumstances necessitate a re-valuation of the estimate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. In addition, regulatory agencies periodically review the adequacy of the Company's allowance for loan losses as an integral part of their examination process. Such agencies may require the Company to recognize additions to the allowance or additional write-downs based on their judgments about information available to them at the time of their examination. Although management uses the best information available, the level of the allowance for loan losses remains an estimate that is subject to significant judgment.

The Company's available-for-sale securities portfolio is carried at fair value, with unrealized gains or losses, net of taxes, reported in accumulated other comprehensive income or loss. Fair values are based on third party market quotations. Securities which the Company has the intent and ability to hold to maturity are classified as held-to-maturity and carried at amortized cost. Management conducts a periodic review and evaluation of the securities portfolio to determine if any declines in the fair values of securities are other-than-temporary. In this evaluation, if such a decline were deemed other-than temporary, management would measure the total credit-related component of the unrealized loss, and recognize that portion of the loss as a charge to current period earnings. The remaining portion of the unrealized loss would be recognized as an adjustment to accumulated other comprehensive income (loss). The fair value of the securities portfolio is significantly affected by changes in interest rates. In general, as interest rates rise, the fair value of fixed-rate securities decreases and as interest rates decline, the fair value of fixed-rate securities increases. The Company determines if it has the intent to sell these securities or if it is more likely than not that the Company would be required to sell the securities before the

anticipated recovery. If either exists, the entire decline in value is considered other-than-temporary and would be recognized as an expense in the current period.

The Company provides certain health care and life insurance benefits to eligible retired employees. The cost of retiree health care and other benefits during the employees' period of active service are accrued monthly. The accounting guidance requires the following: a) recognizing in the statement of financial position the over funded or underfunded status of a defined benefit post-retirement plan measured as the difference between the fair value of plan assets and the benefit obligations; b) measuring a plan's assets and its obligations that determine its funded status as of the end of the Company's fiscal year (with limited exceptions); and c) recognizing as a component of other comprehensive income (loss), net of tax, the actuarial gain and losses and the prior service costs and credits that arise during the period.

The determination of whether deferred tax assets will be realizable is predicated on the reversal of existing deferred tax liabilities, utilization against carry-back years and estimates of future taxable income. Such estimates are subject to management's judgment. A valuation allowance is established when management is unable to conclude that it is more likely than not that it will realize deferred tax assets based on the nature and timing of these items. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period enacted.

Asset Quality:

The following table sets forth information regarding the Company's non-performing assets as of September 30, 2018 and December 31, 2017 :

	September 30, 2018	December 31, 2017
	(In Thousands)	
Mortgage loans:		
One to four family	\$ 2,008	\$ 3,360
Multifamily and commercial	—	1,329
Total mortgage loans	2,008	4,689
Commercial business loans	480	1,263
Consumer loans	1,439	573
Total non-performing loans	3,927	6,525
Foreclosed assets	251	959
Total non-performing assets	\$ 4,178	\$ 7,484

The following table sets forth information regarding the Company's 60-89 day delinquent loans as of September 30, 2018 and December 31, 2017 :

	September 30, 2018	December 31, 2017
	(In Thousands)	
Mortgage loans:		
One to four family	\$ 1,665	\$ 1,229
Multifamily and commercial	—	380
Total mortgage loans	1,665	1,609
Commercial business loans	500	730
Consumer loans	266	26
Total 60-89 day delinquent loans	\$ 2,431	\$ 2,365

At September 30, 2018, the allowance for loan losses totaled \$63.4 million, or 1.30% of total loans, compared with \$58.2 million, or 1.31% of total loans at December 31, 2017. Total non-performing loans were \$3.9 million, or 0.08% of total loans at September 30, 2018, compared to \$6.5 million, or 0.15% of total loans at December 31, 2017.

At September 30, 2018 and December 31, 2017, the Company held \$251 thousand and \$959 thousand of foreclosed assets, respectively. During the nine months ended September 30, 2018, there were two additions to foreclosed assets with a total carrying value of \$251 thousand and three properties sold with a total carrying value of \$708 thousand.

Non-performing assets totaled \$4.2 million, or 0.06% of total assets at September 30, 2018 compared to \$7.5 million or 0.13% of total assets at December 31, 2017.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Net Interest Income:

Qualitative Analysis. Interest rate risk is the exposure of a Company's current and future earnings and capital arising from adverse movements in interest rates. The guidelines of the Company's interest rate risk policy seek to limit the exposure to changes in interest rates that affect the underlying economic value of assets, liabilities, earnings and capital.

The Asset/Liability Committee meets regularly to review the impact of interest rate changes on net interest income, net interest margin, net income and the economic value of equity. The Asset/Liability Committee reviews a variety of strategies that project changes in asset or liability mix and the impact of those changes on projected net interest income and net income.

The Company's strategy for liabilities has been to maintain a stable funding base by focusing on core deposit accounts. The Company's ability to retain maturing time deposit accounts is the result of its strategy to remain competitively priced within its marketplace. The Company's pricing strategy may vary depending upon current funding needs and the ability of the Company to fund operations through alternative sources.

Quantitative Analysis. Current and future sensitivity to changes in interest rates are measured through the use of balance sheet and income simulation models. The analysis captures changes in net interest income using flat rates as a base and rising and declining interest rate forecasts. Changes in net interest income and net income for the forecast period, generally twelve to twenty-four months, is measured and compared to policy limits for acceptable changes. The Company periodically reviews historical deposit re-pricing activity and makes modifications to certain assumptions used in its balance sheet and income simulation models regarding the interest rate sensitivity of deposits. These modifications are made to more closely reflect the most likely results under the various interest rate change scenarios. Since it is inherently difficult to predict the sensitivity of interest bearing deposits to changes in interest rates, the changes in net interest income due to changes in interest rates cannot be precisely predicted. There are a variety of reasons that may cause actual results to vary considerably from the predictions presented below which include, but are not limited to, the timing, magnitude, and frequency of changes in interest rates, interest rate spreads, prepayments, and actions taken in response to such changes.

Assumptions used in the simulation model may include but are not limited to:

- Investment pricing from third parties;
- Loan pricing indications from third parties;
- Loan and depository spread assumptions based upon the Company's product offerings;
- Investment and borrowing spreads based upon third party indications; and
- Prepayment assumptions derived from the Company's actual results and third party surveys.

The following table sets forth the results of the estimated impact of interest rate changes on our estimated annual net interest income as of September 30, 2018:

	September 30, 2018
Change in Interest Rates (Basis Points)	Change in Net Interest Income
-100	(1.7)%
Base	-
100	0.4 %
200	0.2 %

Another measure of interest rate sensitivity is to model changes in economic value of equity ("EVE") through the use of immediate and sustained interest rate shocks. The following table illustrates the result of the economic value of equity model as of September 30, 2018 :

September 30, 2018					
Change in Interest Rates (Basis Points)	Estimated Increase (Decrease) in EVE			EVE as a Percentage of Economic Value of Assets	
	Estimated EVE	Amount	Percent	EVE Ratio	Change in Basis Points
-100	\$ 1,074,609	\$ 42,473	4.1 %	16.30%	17
Base	1,032,136	-	-	16.13%	-
100	948,639	(83,497)	(8.1)%	15.33%	(80)
200	854,131	(178,005)	(17.2)%	14.29%	(184)

The preceding table indicates that as of September 30, 2018 , in the event of an immediate and sustained 200 basis point increase in interest rates, the EVE is projected to decrease 17.2% , or \$178.0 million . If rates were to decrease 100 basis points, the model forecasts a 4.1% , or \$42.5 million increase in the EVE. Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes in net interest income requires the use of certain assumptions regarding prepayment and deposit repricing, which may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. While management believes such assumptions are reasonable, there can be no assurance that assumed prepayment rates and repricing rates will approximate actual future loan prepayment and deposit repricing activity. Moreover, net interest income assumes that the composition of interest sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. Accordingly, although the table provides an indication of the Company's interest rate risk exposure at a particular point in time, such measurement is not intended to and does not provide a precise forecast of the effect of changes in market interest rates on the Company's net interest income and will differ from actual.

Liquidity Management and Capital Resources:

Liquidity Management. Liquidity is the ability to meet current and future financial obligations of a short-term and long-term nature. Our primary source of funds consists of deposit inflows, loan repayments and maturities, sales of securities and borrowings. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows, calls of investment securities and borrowed funds and prepayments of loans are influenced by economic conditions, competition and interest rate movements.

The Company's cash flows are classified as cash flows from operating activities, investing activities and financing activities. Refer to the Consolidated Statements of Cash Flows for further details of the cash inflows and outflows of the Company.

Capital Resources. The Company is subject to regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated statements of financial condition. Federal regulators require federally insured depository institutions to meet several minimum capital standards: 1) total capital to risk-weighted assets of 8.0%; 2) tier 1 capital to risk-weighted assets of 6.0%; 3) common equity tier 1 capital to risk-weighted assets of 4.5%; and 4) tier 1 capital to adjusted total assets of 4.0%. In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement was phased in beginning January 1, 2016, at 0.625% of risk-weighted assets and increases each year until fully implemented at 2.5% on January 1, 2019.

The regulations establish a framework for the classification of savings institutions into five categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. Generally, an institution is considered well capitalized if it has: a total capital to risk-weighted assets ratio of at least 10%, a tier 1 capital to risk-weighted assets ratio of at least 8%, a common tier 1 capital to risk-weighted assets ratio of at least 6.5%, and a tier 1 capital to adjusted total assets ratio of at least 5.0%. As of September 30, 2018 the Company exceeded all capital adequacy requirements to which it is subject.

The following table presents the Company's actual capital amounts and ratios as of September 30, 2018 compared to the Federal Reserve Bank minimum capital adequacy requirements and the Federal Reserve Bank requirements for classification as a well - capitalized institution:

		September 30, 2018					
		Actual				To be well capitalized under prompt corrective action provisions	
		For capital adequacy purposes					
		Amount	Ratio	Amount	Ratio	Amount	Ratio
		(in Thousands)					
Company:							
Total capital to risk-weighted assets	\$	1,078,242	23.40%	\$ 368,593	8.0%	\$ 460,741	10.0%
Tier 1 capital to risk-weighted assets		1,020,337	22.15	276,444	6.0	368,593	8.0
Common equity tier 1 capital to risk-weighted assets		1,020,337	22.15	207,333	4.5	299,481	6.5
Tier 1 capital to adjusted total assets		1,020,337	16.00	255,113	4.0	318,892	5.0

		December 31, 2017					
		Actual				To be well capitalized under prompt corrective action provisions	
		For capital adequacy purposes					
		Amount	Ratio	Amount	Ratio	Amount	Ratio
		(in Thousands)					
Company:							
Total capital to risk-weighted assets	\$	631,952	15.01%	\$ 336,730	8.0%	\$ 420,912	10.0%
Tier 1 capital to risk-weighted assets		579,080	13.76	252,547	6.0	336,730	8.0
Common equity tier 1 capital to risk-weighted assets		528,080	12.55	189,410	4.5	273,593	6.5
Tier 1 capital to adjusted total assets		579,080	10.54	219,833	4.0	210,456	5.0

		September 30, 2018					
		Actual				To be well capitalized under prompt corrective action provisions	
		For capital adequacy purposes					
		Amount	Ratio	Amount	Ratio	Amount	Ratio
		(in Thousands)					
Columbia Bank:							
Total capital to risk-weighted assets	\$	872,226	18.96%	\$ 367,960	8.0%	\$ 459,950	10.0%
Tier 1 capital to risk-weighted assets		814,419	17.71%	275,970	6.0	367,960	8.0
Common equity tier 1 capital to risk-weighted assets		814,419	17.71%	206,977	4.5	298,967	6.5

Tier 1 capital to adjusted total assets	814,419	12.74%	255,690	4.0	319,613	5.0
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	December 31, 2017					
	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(in Thousands)					
Columbia Bank:						
Total capital to risk-weighted assets	\$ 625,336	14.90%	\$ 335,736	8.0%	\$ 419,671	10.0%
Tier 1 capital to risk-weighted assets	572,617	13.64	251,802	6.0	335,736	8.0
Common equity tier 1 capital to risk-weighted assets	572,617	13.64	188,852	4.5	272,786	6.5
Tier 1 capital to adjusted total assets	572,617	10.44	221,257	4.0	276,571	5.0

Item 4. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of September 30, 2018. In designing and evaluating the Company's disclosure controls and procedures, the Company and its management recognize that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

During the quarter ended September 30, 2018, there were no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various legal actions and claims arising in the normal course of business. In the opinion of management, these legal actions and claims are not expected to have a material adverse impact on the Company's financial condition.

Item 1A. Risk Factors

For information regarding the Company's risk factors, refer to the "Risk Factors" in the Company's prospectus, filed with the Securities and Exchange Commission pursuant to Rule 424(b)(3) on February 20, 2018. As of September 30, 2018 the risk factors of the Company have not changed materially from those disclosed in the prospectus.

Item 2. Unregistered Sales of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed in the Exhibit Index (following the signatures section of this report) are included in, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit Index

- 3.1 [Second Amended and Restated Certificate of Incorporation of Columbia Financial, Inc.](#)
- 3.2 [Amended and Restated Bylaws of Columbia Financial, Inc.](#)
- 4 [Form of Common Stock Certificate of Columbia Financial, Inc.](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

- The following materials from the Company's Quarterly Report to Stockholders on Form 10-Q for the quarter ended September 30, 2018, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Financial Condition, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholder's Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements.
- 101. INS XBRL Instance Document
 - 101. SCH XBRL Taxonomy Extension Schema Document
 - 101. CAL XBRL Taxonomy Extension Calculation Linkbase Document
 - 101. DEF XBRL Taxonomy Extension Definition Linkbase Document
 - 101. LAB XBRL Taxonomy Extension Labels Linkbase Document
 - 101. PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Columbia Financial, Inc

Date: November 14, 2018

/s/Thomas J. Kemly
Thomas J. Kemly
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2018

/s/Dennis E. Gibney
Dennis E. Gibney
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Section 2: EX-31.1 (EXHIBIT 31.1)

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Thomas J. Kemly, certify that:

1. I have reviewed this report on Form 10-Q of Columbia Financial, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2018

/s/Thomas J. Kemly

Thomas J. Kemly

President and Chief Executive Officer

Section 3: EX-31.2 (EXHIBIT 31.2)

Certification Pursuant to Exchange Act Rule 13a-14(a) and Rule 15d-14(a)

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Dennis E. Gibney, certify that:

1. I have reviewed this report on Form 10-Q of Columbia Financial, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

- a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.
-

Date: November 14, 2018

/s/Dennis E. Gibney

Dennis E. Gibney

Executive Vice President and Chief Financial Officer

Section 4: EX-32 (Exhibit 32)

**Certification pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to Section 906
of the Sarbanes-Oxley Act of 2002**

Thomas J. Kemly, President and Chief Executive Officer, and Dennis E. Gibney, Executive Vice President and Chief Financial Officer of Columbia Financial Inc. (the "Company"), each certify in his capacity as an officer of the Company that he has reviewed the quarterly report of the Company on Form 10-Q for the quarter ended September 30, 2018 and that to the best of his knowledge:

- (1) the report fully complies with the requirements of Sections 13(a) of the Securities Exchange Act of 1934; and
- (2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2018

/s/Thomas J. Kemly
Thomas J. Kemly
President and Chief Executive Officer

Date: November 14, 2018

/s/Dennis E. Gibney
Dennis E. Gibney
Executive Vice President and Chief Financial Officer