
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 March 31, 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

Ten shares of the Registrant's common stock, par value of \$0.01 per share, were issued and outstanding as of March 31, 2018.

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

Consolidated Balance Sheets

	(Unaudited) March 31, 2018	(Audited) September 30, 2017
	(In thousands)	
Assets		
Cash and cash equivalents	\$ 634,321	\$ 100,914
Short-term investments	60	61
Total cash and cash equivalents	634,381	100,975
Securities available-for-sale, at fair value	852,213	557,176
Securities held-to-maturity, at amortized cost (fair value of \$245,477 and \$131,822 at March 31, 2018 and September 30, 2017, respectively)	254,131	132,939
Federal Home Loan Bank stock	29,381	35,844
Loans receivable, net	4,479,919	4,307,623
Accrued interest receivable	16,614	14,687
Real estate owned	959	393
Office properties and equipment, net	43,706	40,835
Bank-owned life insurance	151,585	149,432
Goodwill and intangible assets	5,976	6,019
Other assets	96,016	83,405
Total assets	\$ 6,564,881	\$ 5,429,328
Liabilities and Stockholder's Equity		
Liabilities:		
Deposits	5,395,253	\$ 4,123,428
Borrowings	589,430	733,043
Advance payments by borrowers for taxes and insurance	28,522	27,118
Accrued expenses and other liabilities	77,772	69,825
Total liabilities	6,090,977	4,953,414
Stockholder's equity:		
Retained earnings	549,264	522,094
Accumulated other comprehensive loss, net of tax	(75,360)	(46,180)
Total stockholder's equity	473,904	475,914
Total liabilities and stockholder's equity	\$ 6,564,881	\$ 5,429,328

See accompanying notes to unaudited consolidated financial statements.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Income (Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	2017	2018	2017
	(In thousands)		(In thousands)	
Interest and dividend income:				
Loans receivable	\$ 43,841	\$ 40,602	\$ 86,884	\$ 79,976
Securities available-for-sale	6,415	4,338	11,488	8,646
Securities held-to-maturity	464	—	845	—
Federal funds and interest earning deposits	488	23	591	57
Federal Home Loan Bank stock dividends	586	466	1,154	878
Total interest and dividend income	51,794	45,429	100,962	89,557
Interest expense:				
Deposits	8,099	6,072	15,731	12,288
Borrowings	4,633	4,579	9,242	9,086
Total interest expense	12,732	10,651	24,973	21,374
Net interest income	39,062	34,778	75,989	68,183
Provision for loan losses	2,000	375	5,400	375
Net interest income after provision for loan losses	37,062	34,403	70,589	67,808
Non-interest income:				
Demand deposit account fees	944	914	1,904	1,765
Bank-owned life insurance	1,064	1,698	2,153	2,785
Title insurance fees	774	967	1,792	2,304
Loan fees and service charges	453	495	995	947
Gain on securities transactions, net	116	—	55	411
Gain on sale of loans receivable, net	—	102	—	510
Gain on sale of real estate owned	—	209	—	197
Other non-interest income	1,134	1,373	2,261	2,333
Total non-interest income	4,485	5,758	9,160	11,252
Non-interest expense:				
Compensation and employee benefits expense	16,525	15,980	32,146	30,989
Occupancy expense	3,716	3,431	7,102	6,653
Federal insurance premiums expense	428	413	843	825
Advertising expense	847	681	2,255	1,392
Professional fees expense	214	180	611	399
Data processing expense	642	568	1,237	1,098
Other non-interest expense	3,586	3,602	7,306	7,538
Total non-interest expense	25,958	24,855	51,500	48,894
Income before income tax expense	15,589	15,306	28,249	30,166
Income tax expense	3,805	5,012	12,787	9,880
Net income	\$ 11,784	\$ 10,294	\$ 15,462	\$ 20,286

See accompanying notes to unaudited consolidated financial statements.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2018	2017	2018	2017
	(In thousands)		(In thousands)	
Net income	\$ 11,784	\$ 10,294	\$ 15,462	\$ 20,286
Other comprehensive (loss) income, net of tax:				
Unrealized loss on securities available-for-sale	(9,985)	394	(13,130)	(14,815)
Accretion of unrealized gain on securities reclassified as held-to-maturity	19	—	17	—
Reclassification adjustment for gains included in net income	88	—	28	267
	<u>(9,878)</u>	<u>394</u>	<u>(13,085)</u>	<u>(14,548)</u>
Derivatives, net of tax				
Unrealized gain on swap contracts	342	6	505	5
	<u>342</u>	<u>6</u>	<u>505</u>	<u>5</u>
Employee benefit plans, net of tax:				
Amortization of prior service cost included in net income	(43)	(18)	(85)	(37)
Reclassification adjustment of actuarial net loss included in net income	(102)	5	(205)	11
Change in funded status of retirement obligations	(268)	(135)	(5,876)	17
Tax effects resulting from the adoption of ASU No. 2018-02	—	—	(10,434)	—
	<u>(413)</u>	<u>(148)</u>	<u>(16,600)</u>	<u>(9)</u>
Total other comprehensive (loss) income	<u>(9,949)</u>	<u>252</u>	<u>(29,180)</u>	<u>(14,552)</u>
Total comprehensive income (loss), net of tax	<u>\$ 1,835</u>	<u>\$ 10,546</u>	<u>\$ (13,718)</u>	<u>\$ 5,734</u>

See accompanying notes to unaudited consolidated financial statements.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholder's Equity (Unaudited)

	Retained Earnings	Accumulated other comprehensive loss, net of tax	Total stockholder's equity
	(In thousands)		
Balance at September 30, 2016	\$ 491,022	\$ (51,358)	\$ 439,664
Net income	20,286	—	20,286
Other comprehensive loss	—	(14,552)	(14,552)
Balance at March 31, 2017	<u>\$ 511,308</u>	<u>\$ (65,910)</u>	<u>\$ 445,398</u>
Balance at September 30, 2017	\$ 522,094	\$ (46,180)	\$ 475,914
Net income	15,462	—	15,462
Other comprehensive loss	—	(17,472)	(17,472)
Reclassification of tax effects resulting from the adoption of ASU No. 2018-02	11,708	(11,708)	—
Balance at March 31, 2018	<u>\$ 549,264</u>	<u>\$ (75,360)</u>	<u>\$ 473,904</u>

See accompanying notes to unaudited consolidated financial statements.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

Six Months Ended
March 31,

2018 **2017**

(In thousands)

Cash flows from operating activities:

Net income	\$ 15,462	\$ 20,286
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred loan origination fees and costs	831	408
Net amortization of premiums and discounts on securities	608	283
Amortization on mortgage servicing rights	43	57
Amortization of debt issuance costs	27	27
Depreciation and amortization of office properties and equipment	1,764	1,684
Provision for loan losses	5,400	375
Gain on securities transactions, net	(55)	(411)
Gain on real estate owned, net	—	(197)
Deferred tax (benefit) expense	(2,679)	7,994
Increase in accrued interest receivable	(1,927)	(863)
Increase in cash surrender value of bank-owned life insurance	(2,153)	(2,132)
Increase in other assets	(12,611)	(12,935)
Increase (decrease) in accrued expenses and other liabilities	7,947	(438)
Net cash provided by operating activities	12,657	14,138

Cash flows from investing activities:

Proceeds from sales of securities available-for-sale	9,752	57,350
Proceeds from principal pay downs / maturities on securities available-for-sale	18,414	33,494
Proceeds from principal pay downs / maturities on securities held-to-maturity	3,795	—
Purchases of securities available-for-sale	(338,390)	(14,005)
Purchases of securities held-to-maturity	(125,146)	—
Purchases of loan receivables	(60,810)	(16,772)
Loan originations, net of principal payments	(118,283)	(257,039)
Proceeds from bank-owned life insurance	—	977
Proceeds from sales of Federal Home Loan Bank stock	34,241	21,240
Purchases of Federal Home Loan Bank stock	(27,778)	(24,111)
Additions to office properties and equipment	(4,635)	(2,649)
Proceeds from sales of real estate owned	—	1,409
Net cash used in investing activities	(608,840)	(200,106)

Cash flows from financing activities:

Net increase in deposits	1,271,825	135,544
Proceeds from long-term borrowings	26,360	342,700
Payments for maturities, calls, and payoffs on borrowings	(1,551,600)	(298,900)
Increase in short-term borrowings	1,381,600	10,000
Increase (decrease) in advance payments by borrowers for taxes and insurance	1,404	(3,108)
Net cash provided by financing activities	1,129,589	186,236

Net increase in cash and cash equivalents	533,406	268
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Cash and cash equivalents at beginning of year	100,975	45,695
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Cash and cash equivalents at end of year	\$ 634,381	\$ 45,963
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COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

Six Months Ended
March 31,

2018	2017
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(In thousands)

Cash paid during the period for:

Interest	\$	26,141	\$	21,530
Income tax payments, net		7,278		9,791

Noncash investing and financing activities:

Transfer of loans receivable to real estate owned	\$	566	\$	145
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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 ("MHC"). The accounts of MHC are not consolidated in the accompanying consolidated financial statements of the Company.

The Company owns 100% of the common stock of a Delaware statutory basis trust, Columbia Capital Trust I (the "Trust"). The trust is classified as a variable interest entity and is not consolidated as it does not satisfy the conditions for consolidation.

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 income 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. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2017 and notes thereto, which are included in the Company's Registration Statement on Form S-1.

2. Plan of Stock Issuance

On September 27, 2017, the Board of Directors of the Company adopted a plan of stock issuance (the "Plan"), as amended on January 25, 2018 pursuant to which the Company will sell shares of common stock, representing a minority ownership (approximately 43.0% of outstanding shares of common stock) interest in the Company. Shares will be offered to eligible depositors and borrowers and the tax qualified employee benefit plans of the Company in a subscription offering and, if necessary, to the general public in a community and/or syndicated community offering or firm commitment public offering. Columbia Bank, MHC, Columbia Financial Inc.'s holding company, will own 54.0% of the outstanding common stock following the offering. In connection with the Plan, subject to the approval of the MHC's members, the Company plans to contribute 3.0% of its then outstanding shares of common stock following the offering to the Columbia Bank Foundation.

Subsequent to the completion of the offering, the Board of Directors of the Company will have the authority to declare dividends on shares of common stock, subject to statutory and regulatory requirements and other considerations.

The direct costs of the Company's stock offering will be deferred and deducted from the proceeds of the offering. At March 31, 2018, total deferred costs were \$ 1.7 million. On April 19, 2018, the Company announced the completion of the offering. In connection with the closing, the Company issued 62,580,155 shares of its common stock to the MHC, the Company's mutual holding company, 3,476,675 shares to the Columbia Bank Foundation, the Bank's charitable foundation, and 49,832,345 shares to depositors of the Bank who subscribed for and were allocated shares in the minority stock offering, as well as the Columbia Bank Employee Stock Ownership Plan. On April 20, 2018, the Company's common stock began trading on the Nasdaq Global Select Market under the ticker symbol "CLBK".

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

3. Recent Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("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.

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 private companies. As of March 31, 2018, there are no significant differences in the guidance comparability of the financial statements as a result of this extended transition period.

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. The effective date for this guidance is fiscal years beginning after December 15, 2018, with early adoption, including adoption in an interim period, permitted. 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 is currently evaluating the impact of the new guidance 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. The effective date for this guidance is fiscal years beginning after December 15, 2018, including interim periods within the reporting period, with early adoption permitted. 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 is currently evaluating the impact of the new guidance 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. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. 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.

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

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 whether to proceed to Step 1. The guidance will be applied prospectively and is effective for annual and interim impairment tests performed in periods beginning after December 15, 2019. 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. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. 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 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.

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. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within that reporting period, early adoption is permitted. 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 aid 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. The guidance is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period, early adoption is permitted. 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. The guidance is effective for annual periods beginning after December 15, 2017. The Company is currently evaluating the impact of the new guidance on the Company's consolidated financial statements by evaluating its revenue streams and contracts potentially affected by the guidance.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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. The guidance is effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2017, and early adoption is permitted. 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.

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. The amendments require the premium to be amortized to the earliest call date. The Company adopted ASU No. 2017-08 beginning October 1, 2017 and the impact was immaterial to the Company's financial statements.

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 March 31, 2018 and September 30, 2017 :

	March 31, 2018			
	Amortized cost	Gross unrealized gains	Gross unrealized (losses)	Fair value
	(In thousands)			
U.S. government and agency obligations	\$ 54,799	26	(928)	\$ 53,897
Mortgage-backed securities and collateralized mortgage obligations	754,862	406	(20,069)	735,199
Municipal obligations	1,295	—	—	1,295
Corporate debt securities	54,490	270	(748)	54,012
Trust preferred securities	5,000	—	(348)	4,652
Equity securities	2,328	830	—	3,158
	<u>\$ 872,774</u>	<u>1,532</u>	<u>(22,093)</u>	<u>\$ 852,213</u>

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2017				
	Amortized cost	Gross unrealized gains	Gross unrealized (losses)	Fair value
	(In thousands)			
U.S. government and agency obligations	\$ 24,954	35	(116)	\$ 24,873
Mortgage-backed securities and collateralized mortgage obligations	479,927	652	(7,088)	473,491
Municipal obligations	1,357	—	—	1,357
Corporate debt securities	49,489	536	(532)	49,493
Trust preferred securities	5,000	—	(292)	4,708
Equity securities	2,482	826	(54)	3,254
	<u>\$ 563,209</u>	<u>2,049</u>	<u>(8,082)</u>	<u>\$ 557,176</u>

The table below presents the amortized cost and fair value of debt securities available-for-sale at March 31, 2018 by contractual maturity excluding equity securities. Expected maturities may differ from contractual maturities due to prepayment or early call privileges of the issuer.

March 31, 2018			
	Amortized cost		Fair value
	(In thousands)		
One year or less	\$ 1,104	\$	1,105
More than one year to five years	45,121		44,385
More than five years to ten years	59,359		59,204
More than ten years	10,000		9,162
	<u>\$ 115,584</u>	<u>\$</u>	<u>113,856</u>
Mortgage-backed securities and collateralized mortgage obligations	754,862		735,199
	<u>\$ 870,446</u>	<u>\$</u>	<u>849,055</u>

Mortgage-backed securities and collateralized mortgage obligations totaling \$754.9 million at amortized cost and \$735.2 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.

For the three months ended March 31, 2018, proceeds from the sales of securities-available for sale totaled \$9.7 million, resulting in \$116 thousand of gross gains and zero losses. For the six months ended March 31, 2018, proceeds from sales of securities available-for-sale totaled \$9.8 million, resulting in \$116 thousand of gross gains and \$61 thousand of gross losses.

There were no sales of securities from the available-for-sale investment portfolio for the three months ended March 31, 2017. For the six months ended March 31, 2017, proceeds from the sales of securities available-for-sale totaled \$ 57.4 million, resulting in gross gains of \$500 thousand and gross losses of \$89 thousand.

Securities available-for-sale with a fair value of \$187.6 million and \$302.9 million at March 31, 2018 and September 30, 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 March 31, 2018 and September 30, 2017 and if the unrealized loss position was continuous for the twelve months prior to March 31, 2018 and September 30, 2017:

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March 31, 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	\$ 44,092	(722)	4,774	(206)	48,866	\$ (928)
Mortgage-backed securities and collateralized mortgage obligations	485,994	(11,572)	156,550	(8,497)	642,544	(20,069)
Corporate debt securities	14,894	(98)	9,351	(650)	24,245	(748)
Trust preferred securities	4,652	(348)	—	—	4,652	(348)
	<u>\$ 549,632</u>	<u>(12,740)</u>	<u>170,675</u>	<u>(9,353)</u>	<u>720,307</u>	<u>\$ (22,093)</u>

September 30, 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	\$ 14,831	(116)	—	—	14,831	\$ (116)
Mortgage-backed securities and collateralized mortgage obligations	329,554	(5,346)	49,695	(1,742)	379,249	(7,088)
Corporate debt securities	9,824	(176)	9,644	(356)	19,468	(532)
Trust preferred securities	—	—	4,708	(292)	4,708	(292)
Equity securities	98	(54)	—	—	98	(54)
	<u>\$ 354,307</u>	<u>(5,692)</u>	<u>64,047</u>	<u>(2,390)</u>	<u>418,354</u>	<u>\$ (8,082)</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 March 31, 2018, nor is it more likely than not that the Company will be required to sell the securities before the anticipated recovery.

The Company did not record an other-than-temporary impairment charge on securities in the available-for-sale portfolio for the three and six months ended March 31, 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 March 31, 2018 and September 30, 2017 :

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Notes to Consolidated Financial Statements

March 31, 2018				
	Amortized cost	Gross unrealized gains	Gross unrealized (losses)	Fair value
(In thousands)				
U.S. government and agency obligations	\$ 13,402	—	(243)	\$ 13,159
Mortgage-backed securities and collateralized mortgage obligations	240,729	530	(8,941)	232,318
	<u>\$ 254,131</u>	<u>530</u>	<u>(9,184)</u>	<u>\$ 245,477</u>

September 30, 2017				
	Amortized cost	Gross unrealized gains	Gross unrealized (losses)	Fair value
(In thousands)				
U.S. government and agency obligations	\$ 3,407	—	(7)	\$ 3,400
Mortgage-backed securities and collateralized mortgage obligations	129,532	—	(1,110)	128,422
	<u>\$ 132,939</u>	<u>—</u>	<u>(1,117)</u>	<u>\$ 131,822</u>

The table below presents the amortized cost and fair value of debt securities held-to-maturity at March 31, 2018 by contractual maturity. Expected maturities may differ from contractual maturities due to prepayment or early call privileges of the issuer.

	March 31, 2018	
	Amortized cost	Fair value
	(In Thousands)	
More than five years to ten years	\$ 13,402	\$ 13,159
	13,402	13,159
Mortgage-backed securities and collateralized mortgage obligations	240,729	232,318
	\$ 254,131	\$ 245,477

Mortgage-backed securities and collateralized mortgage obligations totaling \$240.7 million at amortized cost and \$232.3 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 \$124.6 million and zero at March 31, 2018 and September 30, 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 six months ended March 31, 2018 and 2017.

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

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March 31, 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	\$ 8,160	(243)	—	—	8,160	\$ (243)
Mortgage-backed securities and collateralized mortgage obligations	139,886	(4,300)	69,110	(4,641)	208,996	(8,941)
	<u>\$ 148,046</u>	<u>(4,543)</u>	<u>69,110</u>	<u>(4,641)</u>	<u>217,156</u>	<u>\$ (9,184)</u>

September 30, 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	\$ —	—	3,400	(7)	3,400	\$ (7)
Mortgage-backed securities and collateralized mortgage obligations	29,965	(349)	96,076	(761)	126,041	(1,110)
	<u>\$ 29,965</u>	<u>(349)</u>	<u>99,476</u>	<u>(768)</u>	<u>129,441</u>	<u>\$ (1,117)</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 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 March 31, 2018, nor is it more likely than not that the Company will be required to sell the securities before the anticipated recovery.

The Company did not record an other-than-temporary impairment charge on securities in the held-to-maturity portfolio for the three and six months ended March 31, 2018 and 2017.

5. Loans Receivable and Allowance for Loan Losses

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

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	March 31,	September 30,
	2018	2017
	(In thousands)	
Real estate loans:		
One-to-four family	\$ 1,689,375	\$ 1,578,835
Multifamily and commercial	1,888,745	1,821,982
Construction	241,699	218,408
Commercial business loans	273,325	267,664
Consumer loans:		
Home equity loans and advances	433,108	464,962
Other consumer loans	1,339	1,270
Total loans	4,527,591	4,353,121
Net deferred loan costs	12,280	9,135
Allowance for loan losses	(59,952)	(54,633)
Loans receivable, net	<u>\$ 4,479,919</u>	<u>\$ 4,307,623</u>

The Company had no loans held for sale at March 31, 2018 and September 30, 2017 .

The Company purchased \$2.7 million of residential loans and \$2.1 million of commercial real estate loans from third parties during the three months ended March 31, 2018 . The Company purchased \$7.4 million of residential loans from third parties during the three months ended March 31, 2017. During the six months ended March 30, 2018, the Company purchased \$8.9 million of residential loans and \$51.9 million of commercial real estate loans. During the six months ended March 31, 2017, the total residential loans purchased were \$16.8 million .

At March 31, 2018 and September 30, 2017 , the carrying value of real estate loans serviced by the Company for investors was \$464.3 million and \$493.2 million , respectively.

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

	March 31, 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	\$ 5,201	1,706	2,565	9,472	1,679,903	\$ 1,689,375
Multifamily and commercial	504	—	118	622	1,888,123	1,888,745
Construction	—	—	—	—	241,699	241,699
Commercial business loans	355	—	407	762	272,563	273,325
Consumer loans:						
Home equity loans advances	797	321	636	1,754	431,354	433,108
Other consumer loans	—	7	—	7	1,332	1,339
Total loans	<u>\$ 6,857</u>	<u>2,034</u>	<u>3,726</u>	<u>12,617</u>	<u>4,514,974</u>	<u>\$ 4,527,591</u>

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

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September 30, 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	\$ 3,924	932	3,496	8,352	1,570,483	\$ 1,578,835
Multifamily and commercial	—	123	1,510	1,633	1,820,349	1,821,982
Construction	—	—	—	—	218,408	218,408
Commercial business loans	—	388	1,038	1,426	266,238	267,664
Consumer loans:						
Home equity loans advances	1,437	187	351	1,975	462,987	464,962
Other consumer loans	1	—	—	1	1,269	1,270
Total loans	\$ 5,362	1,630	6,395	13,387	4,339,734	\$ 4,353,121

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

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

March 31, 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	\$ 510	—	—	369	12	—	—	\$ 891
Collectively evaluated for impairment	18,318	19,097	6,574	10,431	3,912	7	722	59,061
Total	\$ 18,828	19,097	6,574	10,800	3,924	7	722	\$ 59,952
Total loans:								
Individually evaluated for impairment	\$ 10,825	2,579	—	3,409	3,083	—	—	\$ 19,896
Collectively evaluated for impairment	1,678,550	1,886,166	241,699	269,916	430,025	1,339	—	4,507,695
Total	\$ 1,689,375	1,888,745	241,699	273,325	433,108	1,339	—	\$ 4,527,591
September 30, 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	\$ 407	35	—	84	14	—	—	\$ 540
Collectively evaluated for impairment	18,126	17,994	5,299	8,396	4,176	8	94	54,093
Total	\$ 18,533	18,029	5,299	8,480	4,190	8	94	\$ 54,633
Total loans:								
Individually evaluated for impairment	\$ 12,247	6,343	—	4,327	2,998	—	—	\$ 25,915
Collectively evaluated for impairment	1,566,588	1,815,639	218,408	263,337	461,964	1,270	—	4,327,206
Total	\$ 1,578,835	1,821,982	218,408	267,664	464,962	1,270	—	\$ 4,353,121

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

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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 six months ended March 31, 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

	March 31, 2018			March 31, 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)			(In thousands)		
Troubled Debt Restructurings						
Real estate loans:						
One to four family	1	\$ 588	\$ 588	1	\$ 83	\$ 83
Consumer loans:						
Home equity loans and advances	1	84	84	—	—	—
Total loans	2	\$ 672	\$ 672	1	\$ 83	\$ 83

For the Six Months Ended

	March 31, 2018			March 31, 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)			(In thousands)		
Troubled Debt Restructurings						
Real estate loans:						
One to four family	1	\$ 588	\$ 588	3	\$ 340	\$ 340
Home equity loans and advances	1	84	84	1	108	108
Total loans	2	\$ 672	\$ 672	4	\$ 448	\$ 448

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

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The activity in the allowance for loan losses by portfolio segment for the three and six months ended March 31, 2018 and 2017 was as follows:

For the Three Months Ended March 31,								
	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	\$ 19,991	19,933	5,217	8,275	4,576	8	178	\$ 58,178
Provision charged (credited)	(1,229)	(707)	1,354	2,697	(657)	(2)	544	2,000
Recoveries	120	—	3	52	5	1	—	181
Charge-offs	(54)	(129)	—	(224)	—	—	—	(407)
Balance at end of period	\$ 18,828	19,097	6,574	10,800	3,924	7	722	\$ 59,952
2017								
Balance at beginning of period	\$ 18,599	17,616	4,598	6,358	4,231	11	436	\$ 51,849
Provision charged (credited)	380	189	(345)	579	(39)	1	(390)	375
Recoveries	22	—	—	77	7	—	—	106
Charge-offs	(183)	(167)	—	—	(70)	(2)	—	(422)
Balance at end of period	\$ 18,818	17,638	4,253	7,014	4,129	10	46	\$ 51,908

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For the Six Months Ended March 31,

	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	\$ 18,533	18,029	5,299	8,480	4,190	8	94	\$ 54,633
Provision charged (credited)	245	1,199	1,272	2,322	(267)	1	628	5,400
Recoveries	130	—	3	225	10	3	—	371
Charge-offs	(80)	(131)	—	(227)	(9)	(5)	—	(452)
Balance at end of period	<u>\$ 18,828</u>	<u>19,097</u>	<u>6,574</u>	<u>10,800</u>	<u>3,924</u>	<u>7</u>	<u>722</u>	<u>\$ 59,952</u>
2017								
Balance at beginning of period	\$ 18,638	17,390	5,960	4,052	5,721	11	95	\$ 51,867
Provision charged (credited)	353	415	(1,707)	2,889	(1,531)	5	(49)	375
Recoveries	26	—	—	96	13	—	—	135
Charge-offs	(199)	(167)	—	(23)	(74)	(6)	—	(469)
Balance at end of period	<u>\$ 18,818</u>	<u>17,638</u>	<u>4,253</u>	<u>7,014</u>	<u>4,129</u>	<u>10</u>	<u>46</u>	<u>\$ 51,908</u>

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following table presents loans individually evaluated for impairment by loan segment:

	March 31, 2018		
	Recorded investment	Unpaid principal balance	Specific allowance
	(In thousands)		
With no allowance recorded:			
Real estate loans:			
One to four family	\$ 7,955	\$ 9,143	\$ —
Multifamily and commercial	2,579	3,454	—
Commercial business loans	426	119	—
Consumer loans:			
Home equity loans and advances	2,733	3,088	—
	13,693	15,804	—
With a specific allowance recorded:			
Real estate loans:			
One to four family	2,870	2,913	510
Commercial business loans	2,983	2,774	369
Consumer loans:			
Home equity loans and advances	350	350	12
	6,203	6,037	891
Total:			
Real estate loans:			
One to four family	10,825	12,056	510
Multifamily and commercial	2,579	3,454	—
Commercial business loans	3,409	2,893	369
Consumer loans:			
Home equity loans and advances	3,083	3,438	12
Total loans	\$ 19,896	\$ 21,841	\$ 891

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Notes to Consolidated Financial Statements

September 30, 2017			
	Recorded investment	Unpaid principal balance	Specific allowance
	(In thousands)		
With no allowance recorded:			
Real estate loans:			
One to four family	\$ 9,272	\$ 10,156	\$ —
Multifamily and commercial	4,701	5,577	—
Commercial business loans	1,545	2,038	—
Consumer loans:			
Home equity loans and advances	2,745	3,214	—
	18,263	20,985	—
With a specific allowance recorded:			
Real estate loans:			
One to four family	2,975	2,989	407
Multifamily and commercial	1,642	2,215	35
Commercial business loans	2,782	2,782	84
Consumer loans:			
Home equity loans and advances			
	253	253	14
Total:	7,652	8,239	540
Real estate loans:			
One to four family	12,247	13,145	407
Multifamily and commercial	6,343	7,792	35
Commercial business loans	4,327	4,820	84
Consumer loans:			
Home equity loans and advances	2,998	3,467	14
Total loans	\$ 25,915	\$ 29,224	\$ 540

Specific allocations of the allowance for loan losses attributable to impaired loans totaled \$891 thousand and \$540 thousand at March 31, 2018 and September 30, 2017, respectively. At March 31, 2018 and September 30, 2017, impaired loans for which there was no related allowance for loan losses totaled \$13.7 million and \$18.3 million, respectively.

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The following table presents interest income recognized for loans individually evaluated for impairment by loan segment for the three and six months ended March 31, 2018 and 2017:

	For the Three Months Ended			
	March 31, 2018		March 31, 2017	
	Average recorded Investment	Interest Income Recognized	Average recorded Investment	Interest Income Recognized
	(In thousands)		(In thousands)	
Real estate loans:				
One to four family	\$ 11,235	\$ 102	\$ 16,061	\$ 142
Multifamily and commercial	3,136	26	3,825	14
Commercial business loans	3,836	26	3,797	26
Consumer loans:				
Home equity loans and advances	2,837	36	4,122	35
Total loans	<u>\$ 21,044</u>	<u>\$ 190</u>	<u>\$ 27,805</u>	<u>\$ 217</u>
	For the Six Months Ended			
	March 31, 2018		March 31, 2017	
	Average recorded Investment	Interest Income Recognized	Average recorded Investment	Interest Income Recognized
	(In thousands)		(In thousands)	
Real estate loans:				
One to four family	\$ 11,572	\$ 212	\$ 16,747	\$ 260
Multifamily and commercial	4,205	65	5,665	84
Construction	—	—	168	—
Commercial business loans	4,000	72	4,036	75
Consumer loans:				
Home equity loans and advances	2,891	71	3,897	69
Total loans	<u>\$ 22,668</u>	<u>\$ 420</u>	<u>\$ 30,513</u>	<u>\$ 488</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, 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

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The following table presents loans receivable by credit quality risk indicator and by loan segment:

March 31, 2018								
Real Estate					Home equity loans and advances	Other consumer	Total	
One to four family	Multifamily and commercial	Construction	Commercial Business					
(In thousands)								
Pass	\$ 1,680,034	1,871,631	241,699	265,153	431,096	1,339	\$ 4,490,952	
Special mention	—	3,764	—	3,619	—	—	7,383	
Substandard	9,341	13,350	—	4,553	2,012	—	29,256	
Doubtful	—	—	—	—	—	—	—	
Total	\$ 1,689,375	1,888,745	241,699	273,325	433,108	1,339	\$ 4,527,591	

September 30, 2017								
Real Estate					Home equity loans and advances	Other consumer	Total	
One to four family	Multifamily and commercial	Construction	Commercial Business					
(In thousands)								
Pass	\$ 1,569,064	1,796,786	218,408	258,454	463,257	1,270	\$ 4,307,239	
Special mention	—	11,600	—	3,347	—	—	14,947	
Substandard	9,771	13,596	—	5,863	1,705	—	30,935	
Doubtful	—	—	—	—	—	—	—	
Total	\$ 1,578,835	1,821,982	218,408	267,664	464,962	1,270	\$ 4,353,121	

6. Deposits

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

	March 31, 2018	September 30, 2017
(In Thousands)		
Non-interest bearing transaction	\$ 709,684	\$ 676,067
Interest bearing transaction	1,411,361	1,268,833
Money market deposit accounts	358,818	273,605
Savings, including club deposits	1,490,173	546,449
Certificates of deposit	1,425,217	1,358,474
Total deposits	\$ 5,395,253	\$ 4,123,428

The increase in deposits during the six months ended March 31, 2018 was primarily the result of subscription funds received in connection with the Company's minority public offering.

The aggregate amount of certificates of deposit that meet or exceed \$100,000 is approximately \$656.8 million and \$608.5 million as of March 31, 2018 and September 30, 2017, respectively.

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

	March 31, 2018	September 30, 2017
(In Thousands)		
Less than one year	\$ 693,173	\$ 657,741
More than one years to two years	492,169	338,265
More than two years to three years	160,472	248,779

More than three years to four years	59,663	81,959
More than four years	19,740	31,730
	<u>\$ 1,425,217</u>	<u>\$ 1,358,474</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 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

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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 "Post-retirement Plan").

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).

Net periodic benefit cost (income) for pension benefits and other benefits for the three and six months ended March 31, 2018 and 2017 includes the following components:

	For the Three Months Ended March 31,							
	Pension		RIM		Post-retirement			
	2018	2017	2018	2017	2018	2017		
	(In thousands)							
Service cost	\$ 1,780	\$ 1,905	\$ 61	\$ 59	\$ 93	\$ 118		
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 cost (income)	\$ (199)	\$ 564	\$ 275	\$ 279	\$ 333	\$ 351		

	For the Six Months Ended March 31,					
	Pension		RIM		Post-retirement	
	2018	2017	2018	2017	2018	2017
	(In thousands)					
Service cost	3,560	3,811	122	119	186	236
Interest cost	4,258	4,222	222	215	410	371
Expected return on plan assets	(9,630)	(12,405)	—	—	—	—
Amortization:						
Prior service cost	—	—	—	—	(68)	(68)
Net loss	1,414	5,499	206	227	138	163
Net periodic cost (income)	(398)	1,127	550	561	666	702

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

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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 March 31, 2018 and September 30, 2017 .

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 March 31, 2018 and September 30, 2017 .

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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 incurred.

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

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

March 31, 2018				
		Fair value measurements		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Fair value			
(In thousands)				
Measured on a recurring basis:				
Securities available-for-sale:				
U.S. government and agency obligations	\$ 53,897	53,897	—	\$ —
Mortgage-backed securities and collateralized mortgage obligations	735,199	—	735,199	—
Municipal obligations	1,295	—	1,295	—
Corporate debt securities	54,012	—	54,012	—
Trust preferred securities	4,652	—	4,652	—
Equity securities	3,158	3,158	—	—
Total securities available-for-sale	<u>\$ 852,213</u>	<u>57,055</u>	<u>795,158</u>	<u>\$ —</u>
Derivative assets	669	—	669	—
	<u>\$ 852,882</u>	<u>57,055</u>	<u>795,827</u>	<u>\$ —</u>

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September 30, 2017

	Fair value	Fair value measurements		
		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	\$ 24,873	24,873	—	\$ —
Mortgage-backed securities and collateralized mortgage obligations	473,491	—	473,491	—
Municipal obligations	1,357	—	1,357	—
Corporate debt securities	49,493	—	49,493	—
Trust preferred securities	4,708	—	4,708	—
Equity securities	3,254	3,254	—	—
Total securities available-for-sale	557,176	28,127	529,049	—
Derivative assets	277	—	277	—
	\$ 557,453	28,127	529,326	\$ —
Derivative liabilities	\$ 182	—	182	\$ —

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

March 31, 2018

	Fair value	Fair value measurements		
		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	9,449	—	—	9,449
	\$ 10,408	—	—	\$ 10,408

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September 30, 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	\$ 393	—	—	\$ 393
Loans measured for impairment based on the fair value of the underlying collateral	14,156			14,156
	<u>\$ 14,549</u>	<u>—</u>	<u>—</u>	<u>\$ 14,549</u>

The following table presents qualitative information for Level 3 assets measured at fair value on a non-recurring basis as of March 31, 2018 and September 30, 2017:

March 31, 2018				
	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	\$ 9,449	Appraised Value	Discount for cost to sell	6.0% - 8.0%

September 30, 2017				
	Fair value	Valuation methodology	Unobservable inputs	Range of inputs
(In Thousands)				
Real estate owned	\$ 393	Appraised Value	Discount for cost to sell	6.0%
Loans measured for impairment based on the fair value of the underlying collateral	\$ 14,156	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.

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

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

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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.

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.

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 March 31, 2018 and September 30, 2017 :

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March 31, 2018

Fair Value Instruments				
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	\$ 634,381	634,381	634,381	—	\$ —
Securities available-for-sale	852,213	852,213	57,055	795,158	—
Securities held-to-maturity	254,131	245,477	—	245,477	—
Federal Home Loan Bank stock	29,381	29,381	—	29,381	—
Loans receivable, net	4,479,919	4,390,761	—	—	4,390,761
Derivative assets	669	669	—	669	—

Financial liabilities:

Total deposits	\$ 5,395,253	5,382,310	—	5,382,310	\$ —
Borrowings	589,430	532,051	—	532,051	—

September 30, 2017

Fair Value Instruments				
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	\$ 100,975	100,975	100,975	—	\$ —
Securities available-for-sale	557,176	557,176	28,127	529,049	—
Securities held-to-maturity	132,939	131,822	—	131,822	—
Federal Home Loan Bank Stock	35,844	35,844	—	35,844	—
Loans receivable, net	4,307,623	4,301,138	—	—	4,301,138
Derivative assets	277	277	—	277	—

Financial liabilities:

Total deposits	\$ 4,123,428	3,880,363	—	3,880,363	\$ —
Borrowings	733,043	732,731	—	732,731	—
Derivative liabilities	182	182	—	182	—

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.

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

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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.

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 six months ended March 31, 2018 and 2017:

	For the Three Months Ended					
	March 31, 2018			March 31, 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 arising during the period	\$ (11,594)	1,609	(9,985)	651	(257)	\$ 394
Accretion of unrealized loss on securities reclassified as held-to-maturity	(17)	36	19	—	—	—
Reclassification adjustment for gains included in net income	116	(28)	88	—	—	—
	(11,495)	1,617	(9,878)	651	(257)	394
Unrealized gain on swap contract	382	(40)	342	9	(3)	6
	382	(40)	342	9	(3)	6
Employee benefit plans:						
Amortization of prior service cost included in net income	(24)	(19)	(43)	(28)	10	(18)
Reclassification adjustment of actuarial net (loss) gain included in net income	(8)	(94)	(102)	7	(2)	5
Change in funded status of retirement obligations	33	(301)	(268)	21	(156)	(135)
	1	(414)	(413)	—	(148)	(148)
Total other comprehensive (loss) income	\$ (11,112)	1,163	(9,949)	660	(408)	\$ 252

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For the Six Months Ended

	March 31, 2018			March 31, 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 arising during the period	\$ (14,584)	1,454	(13,130)	(23,012)	8,197	\$ (14,815)
Accretion of unrealized loss on securities reclassified as held-to-maturity	(73)	90	17	—	—	—
Reclassification adjustment for gains included in net income	55	(27)	28	411	(144)	267
	(14,602)	1,517	(13,085)	(22,601)	8,053	(14,548)
Unrealized loss on swap contract	669	(164)	505	9	(4)	5
	669	(164)	505	9	(4)	5
Employee benefit plans:						
Amortization of prior service cost included in net income	(47)	(38)	(85)	(57)	20	(37)
Reclassification adjustment of actuarial net loss included in net income	(18)	(187)	(205)	15	(4)	11
Change in funded status of retirement obligations	(10,664)	4,788	(5,876)	42	(25)	17
Tax effects resulting from the adoption of ASU No. 2018-02	—	(10,434)	(10,434)	—	—	—
	(10,729)	(5,871)	(16,600)	—	(9)	(9)
Total other comprehensive (loss)	\$ (24,662)	(4,518)	(29,180)	(22,592)	8,040	\$ (14,552)

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The Company, in accordance with ASU No. 2018-02, has elected to reclassify the income tax effects of the Tax Act from accumulated other comprehensive (loss) income to retained earnings for the six months ended March 31, 2018. The following tables present the changes in the components of accumulated other comprehensive (loss) income, net of tax, for the three and six months ended March 31, 2018 and 2017:

For the Three Months Ended								
	March 31, 2018				March 31, 2017			
	Unrealized Gains on Securities Available-for-Sale	Swaps	Employee Benefit Plans	Accumulated Other Comprehensive Loss	Unrealized Gains on Securities Available-for-Sale	Swaps	Employee Benefit Plans	Accumulated Other Comprehensive Loss
	(In Thousands)				(In Thousands)			
Balance at beginning of year	\$ (7,345)	224	(58,290)	(65,411)	(9,279)	—	(56,883)	\$ (66,162)
Current period changes in other comprehensive (loss) income	(9,878)	342	(413)	(9,949)	394	6	(148)	252
Total other comprehensive (loss) income	<u>\$ (17,223)</u>	<u>566</u>	<u>(58,703)</u>	<u>(75,360)</u>	<u>(8,885)</u>	<u>6</u>	<u>(57,031)</u>	<u>\$ (65,910)</u>
For the Six Months Ended								
	March 31, 2018				March 31, 2017			
	Unrealized Gains on Securities Available-for-Sale	Swaps	Employee Benefit Plans	Accumulated Other Comprehensive Loss	Unrealized Gains on Securities Available-for-Sale	Swaps	Employee Benefit Plans	Accumulated Other Comprehensive Loss
	(In Thousands)				(In Thousands)			
Balance at beginning of year	\$ (4,075)	—	(42,105)	(46,180)	5,664	—	(57,022)	\$ (51,358)
Current period changes in other comprehensive (loss) income	(11,771)	465	(6,166)	(17,472)	(14,548)	5	(9)	(14,552)
Tax effects resulting from the adoption of ASU No. 2018-02	(1,314)	40	(10,434)	(11,708)	—	—	—	—
Total other comprehensive (loss) income	<u>\$ (17,160)</u>	<u>505</u>	<u>(58,705)</u>	<u>(75,360)</u>	<u>(8,884)</u>	<u>5</u>	<u>(57,031)</u>	<u>\$ (65,910)</u>

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Notes to Consolidated Financial Statements

The following table reflects amounts reclassified from accumulated other comprehensive (loss) income to the consolidated statement of income and the affected line item in the statement where net income is presented for the three and six months ended March 31, 2018 and 2017:

	For the Three Months Ended		
	March 31, 2018	March 31, 2017	
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 (loss) gain included in net income	(8)	7	Compensation and employee benefits expense
Total before tax	108	7	
Income tax benefit	(122)	(2)	
Net of tax	\$ (14)	\$ 5	

	For the Six Months Ended		
	March 31, 2018	March 31, 2017	
Accumulated other Comprehensive (Loss) Income Components			Affected line items in the Consolidated Statements of Income
Reclassification adjustment for gains included in net income	\$ 55	\$ 411	Gains on securities transactions, net
Reclassification adjustment of actuarial net (loss) gain included in net income	(18)	15	Compensation and employee benefits expense
Total before tax	37	426	
Income tax benefit	(214)	(148)	
Net of tax	\$ (177)	\$ 278	

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. These contracts are simultaneously hedged with short-term Federal Home Loan Bank Advances.

Currency Forward Contracts. During the quarter ended March 31, 2018, the existing currency forward contracts were settled. At September 30, 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 September 30, 2017. The currency forward contracts associated with this program 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 March 31, 2018 and September 30, 2017, the Company did not have any interest rate swaps with commercial banking customers.

The Company had three interest rate swaps in place at March 31, 2018 with offsetting Federal Home Loan Bank advances with a notional amount of \$30 million. At September 30, 2017, the Company had two interest rate swaps in place with offsetting Federal Home Loan Bank Advances with a notional amount of \$20.0 million. The interest rate swaps associated with the program meet the hedge accounting requirements. The effective portion of changes in the fair value of the derivatives designated that qualify as cash flow hedges are recorded in accumulated other comprehensive income (loss). The ineffective portion of changes in the fair

COLUMBIA FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

value of the derivatives designated that qualify as cash flow hedges are recorded in earnings. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counter-party in exchange for the Company making fixed-rate payment payments over the life of the agreements without the exchange of the underlying notional amount.

For the three and six months ended March 31, 2018 and 2017, the Company did not record any hedge ineffectiveness associated with these contracts.

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

March 31, 2018				
	Asset Derivative		Liability Derivative	
	Consolidated Balance Sheet	Fair value	Consolidated Balance Sheet	Fair Value
		(In thousands)		(In thousands)
Derivatives:				
Interest rate swap - cash flow hedge	Other Assets	\$ 669	Other Liabilities	\$ —
Total derivative instruments		\$ 669		\$ —
September 30, 2017				
	Asset Derivative		Liability Derivative	
	Consolidated Balance Sheet	Fair value	Consolidated Balance Sheet	Fair Value
		(In thousands)		(In thousands)
Derivatives:				
Interest rate swap - cash flow hedge	Other Assets	95	Other Liabilities	\$ —
Currency forward contract - non-designated hedge	Other Assets	182	Other Liabilities	182
Total derivative instruments		\$ 277		\$ 182

For the three and six months ended March 31, 2018 and 2017, no gains or losses were recorded in the consolidated statements of income.

The Company has agreements with counter-parties 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.

At March 31, 2018 and September 30, 2017, the fair value of derivatives was in a net asset position. At March 31, 2018 and September 30, 2017, accrued interest was \$2 thousand and \$9 thousand , respectively.

11. Subsequent Events

The Company has evaluated events subsequent to March 31, 2018 and through the financial statement issuance date of May 14, 2018. On April 19, 2018, the Company completed its minority stock offering, after receiving all regulatory approvals with trading commencing on the Nasdaq Global Select Market on April 20, 2018. In connection with the closing, the Company issued 62,580,155 shares of its common stock to the MHC, the Company's mutual holding company, 3,476,675 shares to the Columbia Bank Foundation, the Bank's charitable foundation, and 49,832,345 shares to depositors of the Bank who subscribed for and were allocated shares in the minority stock offering, as well as the Columbia Bank Employee Stock Ownership Plan.

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 20, 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.

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.

Executive Summary

We completed our minority stock offering on April 19, 2018, and received gross proceeds of \$498.3 million from the offering and believe we are well positioned to execute our growth strategy. We experienced strong earnings results, solid core deposit growth, continued high asset quality and disciplined expense control during the quarter. We continue to enhance our products and services while maintaining focus on our customers across the many communities we serve.

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

Total assets increased approximately \$1.1 billion , or 20.9% , to \$6.6 billion at March 31, 2018 from \$5.4 billion at September 30, 2017. The increase in total assets was primarily attributable to the receipt of subscription funds relating to the minority stock offering.

Cash and cash equivalents increased \$533.4 million between March 31, 2018 and September 30, 2017. This increase is primarily the result of the minority stock offering which was pending at March 31, 2018.

Securities available-for-sale increased \$295.0 million to \$852.2 million at March 31, 2018 from \$557.2 million at September 30, 2017. Securities held-to-maturity increased \$121.2 million between March 31, 2018 and September 30, 2017. The increase in both categories of securities was attributable to the pre-investment of the anticipated proceeds from the minority stock offering.

Total loans increased \$174.5 million to \$4.5 billion at March 31, 2018 from \$4.4 billion at September 30, 2017. One-to-four family, multifamily and commercial and construction loans contributed \$110.5 million , \$66.8 million , and \$23.3 million to the growth, respectively. Home equity loans and advances declined \$31.9 million between March 31, 2018 and September 30, 2017.

Total liabilities increased \$1.1 billion , or 23.0% , to \$6.1 billion at March 31, 2018 from \$5.0 billion at September 30, 2017. The increase is primarily attributable to an increase in total deposits of \$1.3 billion partially offset by a decrease in borrowings of \$143.6 million . The \$1.3 billion increase in total deposits is primarily attributable to subscription funds relating to the minority stock offering. Other components of the deposit growth were increases in non-interest bearing transaction accounts of \$67.3 million, interest bearing transaction accounts of \$108.7 million, money market accounts of \$85.2 million and certificates of deposits of \$66.7 million. The decrease in borrowings of \$143.6 million is primarily the result of repayments of short-term borrowings from the minority stock offering proceeds.

Total stockholders' equity decreased \$2.0 million , or 0.4% , to \$473.9 million at March 31, 2018 from \$475.9 million at September 30, 2017. The net decrease reflects net income earned for the six months ended March 31, 2018, offset by the increase in unrealized losses in the available-for-sale investment portfolio and the change in pension benefit obligations.

Comparison of the Results of Operations for the Three Months Ended March 31, 2018 and 2017

Net income increased \$1.5 million to \$11.8 million for the three months ended March 31, 2018, compared to \$10.3 million for the three months ended March 31, 2017. The increase was primarily attributable to a \$4.3 million increase in net interest income combined with a \$1.2 million decrease in income tax expense offset by a \$1.6 million increase in loan loss provisions, a \$1.3 million decrease in non-interest income and a \$1.1 million increase in non-interest expense for the comparable periods.

The Company's net interest income was \$39.1 million for the quarter ended March 31, 2018, an increase of \$4.3 million , or 12.3% from \$34.8 million for the quarter ended March 31, 2017. The increase in net interest income was attributable to a \$6.4 million increase in interest and dividend income which was partially offset by a \$2.1 million increase in interest expense.

The increase in interest and dividend income for the three month period was largely due to a \$278.8 million increase in average loans, a \$336.2 million increase in average investment securities and a \$110.3 million increase in other interest earning assets. The increase in other interest earning assets was largely due to the increase in excess cash reserves related to the subscriptions for the minority stock offering.

The yield on average earning assets decreased two basis points due to the growth in excess cash reserves as a percentage of the earning asset mix. The yield on average loans increased five basis points while the yield on investment securities increased 16 basis points for the quarter ended March 31, 2018 as compared with the quarter ended March 31, 2017.

The \$2.0 million increase in interest expense on deposits was largely the result of a \$525.3 million increase in the average balance of interest bearing deposits combined with an 11 basis point increase in the cost of funds related to deposits. The \$122.6 million increase in the average balance of borrowings was almost entirely offset by a 34 basis point decrease in the cost of average borrowings. The reduced cost of average borrowings resulted from the maturity of higher rate borrowings in conjunction with increases in short term borrowings at lower rates.

The Company's net interest margin for the quarter ended March 31, 2018 decreased six basis points to 2.80% when compared to 2.86% for the quarter ended March 31, 2017. The weighted average yield on interest-earning assets decreased two basis points to 3.71% for the quarter ended March 31, 2018 compared with 3.73% for the quarter ended March 31, 2017. The cost of average interest bearing liabilities increased three basis points to 1.09% for the quarter ended March 31, 2018 as compared to 1.06% for the quarter ended March 31, 2017.

The provision for loan losses was \$2.0 million for the quarter ended March 31, 2018, an increase of \$1.6 million from \$375 thousand for the quarter ended March 31, 2017. The increase in provision expense was primarily attributable to loan growth and changes in certain qualitative risk factors.

Non-interest income was \$4.5 million for the quarter ended March 31, 2018, a decrease of \$1.3 million or 22.1% from \$5.8 million for the quarter ended March 31, 2017. Income from bank-owned life insurance decreased \$634 thousand as a result of gains recognized during the three months ended March 31, 2017 associated with life insurance proceeds that did not reoccur in the 2018 period. Title insurance fees decreased \$193 thousand as a result of a decline in activity. The Company also recognized gains on the sale of other real estate owned totaling \$209 thousand during the March 31, 2017 quarter that did not reoccur.

Non-interest expense was \$26.0 million for the quarter ended March 31, 2018, an increase of \$1.1 million, or 4.4%, from \$24.9 million for the quarter ended March 31, 2017. Compensation and employee benefits increased \$545 thousand primarily as a result of additional salary expense related to annual merit increases and an increase in the accrual for incentive compensation, partially offset by a decrease in retirement benefit costs. Occupancy expenses increased \$285 thousand due primarily to higher maintenance costs and the addition of new branches. Advertising expenses were higher by \$166 thousand related to increased advertising of Bank products.

Income tax expense was \$3.8 million for the quarter ended March 31, 2018, a decrease of \$1.2 million or 24.1%, from \$5.0 million for the quarter ended March 31, 2017. The Company's effective tax rates were 24.4% and 32.7% for the three months ended March 31, 2018 and 2017 respectively. The decrease in the effective tax rate for the three months ended March 31, 2018 compared to March 31, 2017 is primarily attributed to the Tax Cuts and Jobs Act.

Comparison of the Results of Operations for the Six Months Ended March 31, 2018 and 2017

Net income decreased \$4.8 million to \$15.5 million for the six months ended March 31, 2018, compared to \$20.3 million for the six months ended March 31, 2017. The decrease in net income is driven by a \$5.0 million increase in loan loss provisions, a \$2.9 million increase in income tax expense, a \$2.6 million increase in non-interest expense and a \$2.1 million decrease in non-interest income partially offset by a \$7.8 million increase in net interest income for the comparable periods.

The Company's net interest income was \$76.0 million for the six months ended March 31, 2018, an increase of \$7.8 million, or 11.4% from \$68.2 million for the six months ended March 31, 2017. The increase in net interest income was attributable to an \$11.4 million increase in interest and dividend income which was partially offset by a \$3.6 million increase in interest expense.

The increase in interest and dividend income for the six month period was largely due to a \$290.3 million increase in average loans, a \$224.7 million increase in average investment securities and a six basis point increase in yield on loans.

The yield on average earning assets increased three basis points due to higher yields on loans and investment securities. The yield on average loans increased six basis points while the yield on investment securities increased 19 basis points for the six months ended March 31, 2018 as compared with the six months ended March 31, 2017.

The \$3.4 million increase in interest expense on deposits was largely the result of a \$390.7 million increase in the average balance of interest bearing deposits combined with an 11 basis point increase in the cost of deposits. The \$103.7 million increase in the average balance of borrowings was almost entirely offset by a 31 basis point decrease in the cost of average borrowings. The reduced cost of average borrowings resulted from the maturity of higher rate borrowings in conjunction with increases in short term borrowings at lower rates.

The Company's net interest margin for the six months ended March 31, 2018 decreased one basis point to 2.79% when compared to 2.80% for the six months ended March 31, 2017. The weighted average yield on interest-earning assets increased three basis points to 3.71% for the six months ended March 31, 2018 compared with 3.68% for the six months ended March 31, 2017. The cost of average interest bearing liabilities increased four basis points to 1.11% for the six months ended March 31, 2018 as compared to 1.07% for the six months ended March 31, 2017.

The provision for loan losses was \$5.4 million for the six months ended March 31, 2018, an increase of \$5.0 million from \$375 thousand for the six months ended March 31, 2017. The increase in provision expense was primarily attributed to loan growth and changes in certain qualitative risk factors.

Non-interest income was \$9.2 million for the six months ended March 31, 2018, a decrease of \$2.1 million or 18.6% from \$11.3 million for the six months ended March 31, 2017. The Company recognized gains on the sale of securities, loan receivables, and real estate owned totaling \$1.1 million during the six months ended March 31, 2017. For the comparable period ending March 31, 2018, only \$55 thousand of gains on the sale of securities was recognized. Income from bank-owned life insurance decreased \$632 thousand as a result of gains recognized during the six months ended March 31, 2017 associated with life insurance proceeds that did not reoccur. Title insurance fees decreased \$512 thousand as a result of a decline in activity.

Non-interest expense was \$51.5 million for the six months ended March 31, 2018, an increase of \$2.6 million, or 5.3%, from \$48.9 million for the six months ended March 31, 2017. Compensation and employee benefits increased \$1.2 million primarily as a result of additional salary expense related to annual merit increases and an increase in the accrual for incentive compensation, partially offset by a decrease in retirement benefit costs. Advertising expenses were higher by \$863 thousand related to the increased advertising of bank products. Occupancy expenses increased \$449 thousand due primarily to higher maintenance costs and the addition of new branches.

Income tax expense was \$12.8 million for the six months ended March 31, 2018, an increase of \$2.9 million or 29.4%, from \$9.9 million for the six months ended March 31, 2017. The Company's effective tax rates were 45.3% and 32.8% for the six months ended March 31, 2018 and 2017 respectively. The increase in the effective tax rate for the six months ended March 31, 2018 compared to March 31, 2017 is primarily attributed to the revaluation of our gross deferred tax assets and liabilities as a result of the change in the corporate tax rate.

Asset Quality:

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

	March 31, 2018	September 30, 2017
	(In Thousands)	
Mortgage loans:		
Residential	\$ 2,565	\$ 3,496
Multi-Family & commercial	118	1,510
Total mortgage loans	2,683	5,006
Commercial loans	407	1,038
Consumer loans	636	351
Total non-performing loans	3,726	6,395
Foreclosed assets	959	393
Total non-performing assets	\$ 4,685	\$ 6,788

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

	March 31, 2018	September 30, 2017
	(In Thousands)	
Mortgage loans:		
Residential	\$ 1,706	\$ 932
Multi-Family & commercial	—	123
Total mortgage loans	1,706	1,055
Commercial loans	—	388
Consumer loans	328	187
Total 60-89 day delinquent loans	\$ 2,034	\$ 1,630

At March 31, 2018, the allowance for loan losses totaled \$60.0 million, or 1.32% of total loans, compared with \$54.6 million, or 1.26% of total loans at September 30, 2017. Total non-performing loans were \$3.7 million, or 0.08% of total loans at March 31, 2018, compared to \$6.4 million, or 0.15% of total loans at September 30, 2017.

At March 31, 2018 and September 30, 2017, the Company held \$959 thousand and \$393 thousand of foreclosed assets, respectively. During the six months ended March 31, 2018, there were two additions to foreclosed assets with a carrying value of \$566 thousand.

Non-performing assets totaled \$4.7 million, or 0.07% of total assets at March 31, 2018 compared to \$6.8 million or 0.13% of total assets at September 30, 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 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 March 31, 2018

:

	March 31, 2018
Change in Interest Rates (Basis Points)	Change in Net Interest Income
-100	(5.9)%
Base	-
+100	4.0 %
+200	7.7 %

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 March 31, 2018 :

March 31, 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	\$ 986,172	\$ 7,223	0.7 %	14.89%	(32)
Base	978,949	-	-	15.22%	-
+100	917,031	(61,918)	(6.3)%	14.71%	(51)
+200	847,484	(131,465)	(13.4)%	14.02%	(120)

The preceding table indicates that as of March 31, 2018, in the event of an immediate and sustained 200 basis point increase in interest rates, the EVE is projected to decrease 13.4%, or \$131.5 million. If rates were to decrease 100 basis points, the model forecasts a 0.7%, or \$7.2 million increase in the EVE. The interest rate risk results at March 31, 2018 are materially impacted by the minority stock offering which was pending and resulted in higher cash and cash equivalents levels at that date. 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 March 31, 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 March 31, 2018 compared to the Federal Reserve Bank minimum capital adequacy requirements and the Federal Reserve Bank requirements for classification as a well - capitalized institution:

	March 31, 2018					
	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(in Thousands)					
Company:						
Total capital to risk-weighted assets	\$ 645,533	15.24%	\$ 338,864	8.0%	\$ 423,580	10.0%
Tier 1 capital to risk-weighted assets	592,307	13.98	254,148	6.0	338,864	8.0
Common equity tier 1 capital to risk-weighted assets	540,760	12.77	190,611	4.5	275,327	6.5
Tier 1 capital to adjusted total assets	592,307	10.00	237,041	4.0	296,302	5.0

	September 30, 2017					
	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(in Thousands)					
Company:						
Total capital to risk-weighted assets	\$ 616,052	15.11%	\$ 326,254	8.0%	\$ 407,817	10.0%
Tier 1 capital to risk-weighted assets	564,854	13.85	244,690	6.0	326,254	8.0
Common equity tier 1 capital to risk-weighted assets	513,854	12.60	183,518	4.5	265,081	6.5
Tier 1 capital to adjusted total assets	564,854	10.59	213,298	4.0	266,023	5.0

	March 31, 2018					
	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	\$ 639,590	15.11%	\$ 338,582	8.0%	\$ 423,228	10.0%
Tier 1 capital to risk-weighted assets	586,408	13.86%	253,937	6.0	338,582	8.0
Common equity tier 1 capital to risk-weighted assets	586,408	13.86%	190,453	4.5	275,098	6.5
Tier 1 capital to adjusted total assets	586,408	9.87%	237,655	4.0	297,068	5.0

September 30, 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	\$ 608,971	14.95%	\$ 325,980	8.0%	\$ 407,475	10.0%
Tier 1 capital to risk-weighted assets	557,815	13.69	244,485	6.0	325,980	8.0
Common equity tier 1 capital to risk-weighted assets	557,815	13.69	183,364	4.5	264,859	6.5
Tier 1 capital to adjusted total assets	557,815	10.47	213,160	4.0	266,450	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 March 31, 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 March 31, 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 March 31, 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 [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 March 31, 2018, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Financial Condition, (ii) the Consolidated Statements of Income, (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: May 14, 2018

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

Date: May 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: May 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: May 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 March 31, 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: May 14, 2018

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

Date: May 14, 2018

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.