

# UMPQUA HOLDINGS CORPORATION

1<sup>st</sup> Quarter 2017 Earnings Conference Call Presentation

*April 20, 2017*



# Forward-looking Statements and Notes

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*This presentation includes forward-looking statements within the meaning of the “Safe-Harbor” provisions of the Private Securities Litigation Reform Act of 1995, which management believes are a benefit to shareholders. These statements are necessarily subject to risk and uncertainty and actual results could differ materially due to various risk factors, including those set forth from time to time in our filings with the SEC. You should not place undue reliance on forward-looking statements and we undertake no obligation to update any such statements. We make forward-looking statements about credit discount accretion on related to loans acquired from Sterling Financial Corporation, loan and lease growth, and trends in the loan portfolio mix. Specific risks that could cause results to differ from these forward looking statements include our ability to successfully develop and market new products and technology. Risks that could cause results to differ from forward-looking statements we make are set forth in our filings with the SEC and include, without limitation, prolonged low interest rate environment; unanticipated weakness in loan demand or loan pricing; deterioration in the economy; lack of strategic growth opportunities or our failure to execute on those opportunities; our inability to effectively manage problem credits; our inability to successfully implement efficiency initiatives; our ability to successfully develop and market new products and technology; and changes in laws or regulations.*

# First Quarter 2017 Highlights

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- Net earnings available to common shareholders of \$46.0 million, or \$0.21 per diluted common share
- Net interest income decreased by \$1.1 million, driven by lower accretion of the credit discount recorded on acquired loans and two fewer days in the quarter, partially offset by growth in interest-earning assets and a 2 basis point increase in net interest margin
- Provision for loan and lease losses decreased by \$1.5 million to \$11.7 million, while net charge-offs decreased by \$3.5 million to \$9.4 million, or 22 basis points of average loans and leases (annualized)
- Non-interest income decreased by \$38.4 million, of which \$29.5 million was related to the change in gains or losses associated with the fair value of the mortgage servicing rights asset and debt capital markets swap derivatives. The remainder of the decline was driven primarily by lower revenues from the origination and sale of mortgages
- Non-interest expense decreased by \$0.8 million, driven primarily by lower mortgage banking and merger-related expenses, partially offset by higher seasonal payroll taxes
- Gross loan and lease growth of \$321.0 million, or 7% annualized, to \$17.8 billion
- Deposit growth of \$146.3 million, or 3% annualized, to \$19.2 billion
- Non-performing assets to total assets decreased slightly to 0.24%
- Estimated total risk-based capital ratio of 14.4% and estimated Tier 1 common to risk weighted assets ratio of 11.3%
- Declared quarterly cash dividend of \$0.16 per common share

# Selected Ratios

		For the quarter ended				
		Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
<b>Performance</b>	Return on average assets	0.75%	1.11%	1.01%	0.91%	0.82%
	Return on average tangible assets	0.81%	1.20%	1.09%	0.99%	0.89%
	Return on average common equity	4.74%	7.04%	6.28%	5.61%	4.93%
	Return on average tangible common equity	8.83%	13.19%	11.79%	10.59%	9.34%
	Efficiency ratio - consolidated	68.15%	59.65%	62.11%	66.15%	69.48%
	Net interest margin - consolidated	3.85%	3.83%	3.95%	4.07%	4.34%
<b>Credit Quality</b>	Non-performing loans and leases to loans and leases	0.29%	0.32%	0.31%	0.28%	0.31%
	Non-performing assets to total assets	0.24%	0.25%	0.25%	0.27%	0.30%
	Net charge-offs to average loans and leases (annualized)	0.22%	0.29%	0.24%	0.23%	0.12%
<b>Capital</b>	Tangible common equity to tangible assets <sup>(1)</sup>	9.15%	9.10%	9.14%	9.30%	9.26%
	Tier 1 common to risk-weighted asset ratio <sup>(2)</sup>	11.3%	11.5%	11.3%	11.0%	10.9%
	Total risk-based capital ratio <sup>(2)</sup>	14.4%	14.7%	14.5%	14.3%	14.2%

> <sup>(1)</sup> Non-GAAP financial measure. A reconciliation to the comparable GAAP measurement is provided at the end of this slide presentation.

> <sup>(2)</sup> Capital ratio estimated for current quarter, pending completion and filing of regulatory reports.

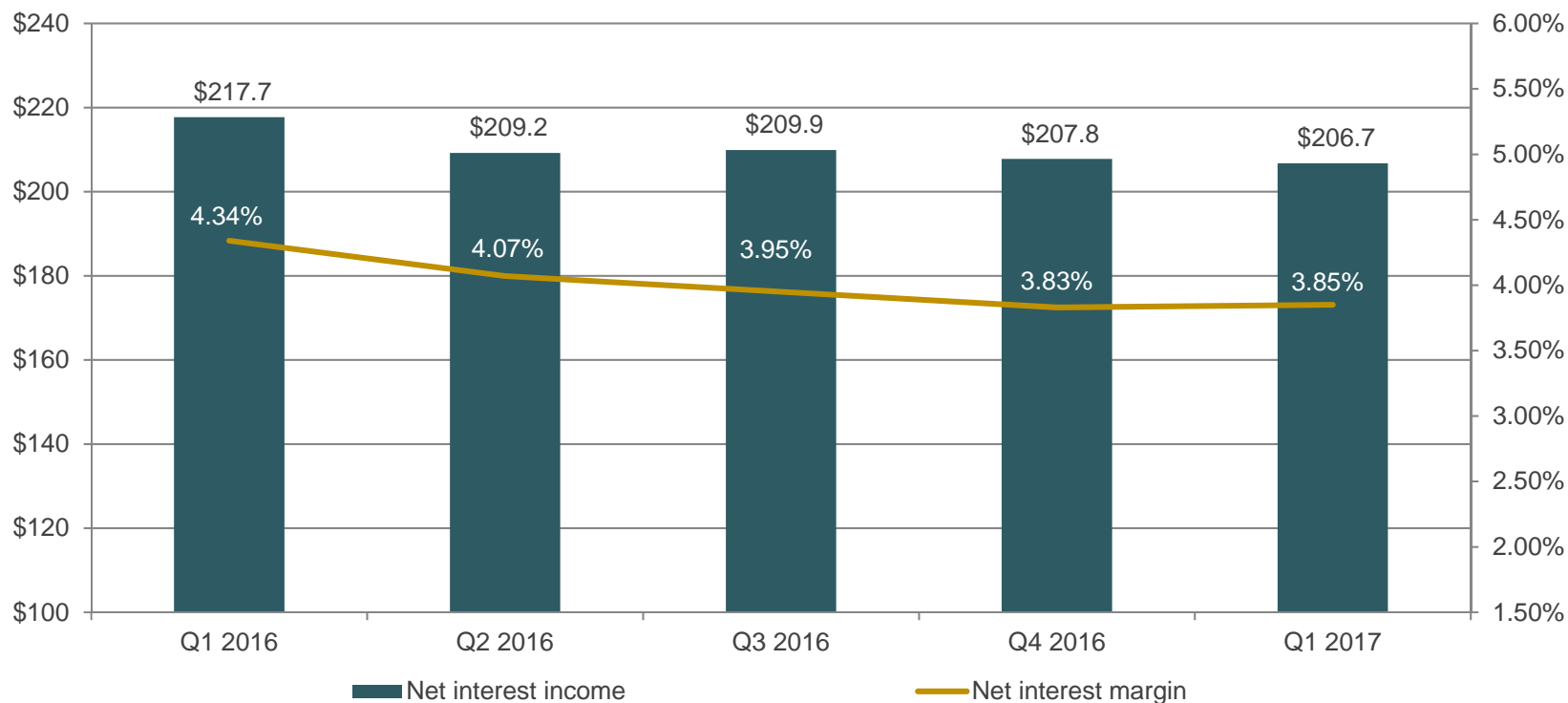
# Summary Income Statement

(\$ in millions except per share data)	Quarter ended		
	Q1 2017	Q4 2016	Q1 2016
Net interest income before provision	\$ 206.7	\$ 207.8	\$ 217.7
Provision for loan and lease losses	11.7	13.2	4.8
Net interest income after provision	195.1	194.6	212.9
Non-interest income	60.2	98.6	46.0
Non-interest expense	182.7	183.5	184.0
<b>Income before provision for income taxes</b>	<b>72.6</b>	<b>109.8</b>	<b>74.8</b>
Provision for income taxes	26.6	40.5	27.3
<b>Net income</b>	<b>46.0</b>	<b>69.3</b>	<b>47.6</b>
Dividends and undistributed earnings allocated to participating securities	0.0	0.0	0.0
<b>Net earnings available to common shareholders</b>	<b>\$ 46.0</b>	<b>\$ 69.2</b>	<b>\$ 47.5</b>
Earnings per share - diluted	\$0.21	\$0.31	\$0.22

> Note: tables may not foot due to rounding.

# Net Interest Income and Margin

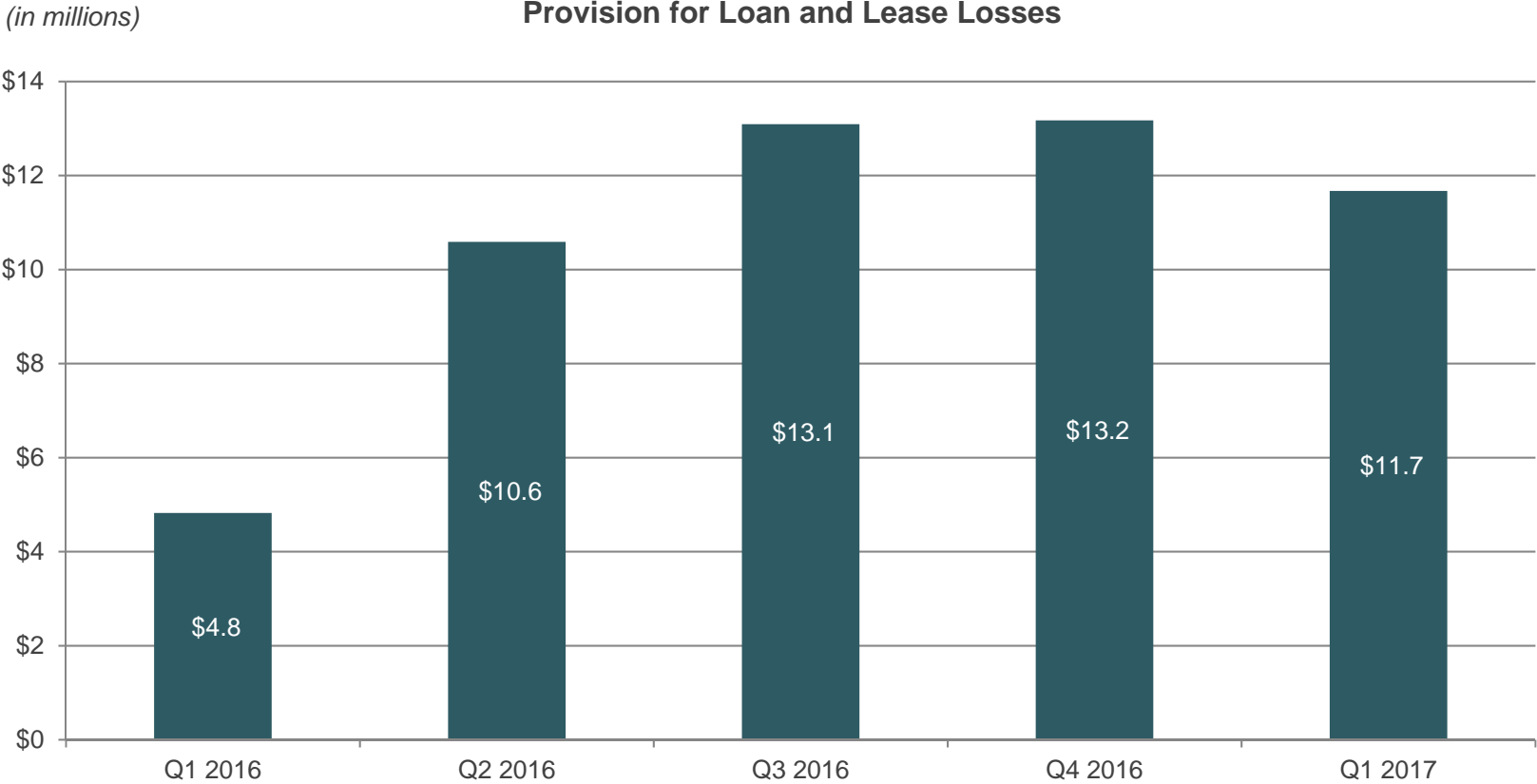
(in millions)



Adjusted NIM <sup>(1)</sup>	3.97%	3.86%	3.77%	3.65%	3.70%
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> <sup>(1)</sup> Net interest margin, excluding interest income related to credit discount from Sterling deal and related to 310-30 covered loan PIFs

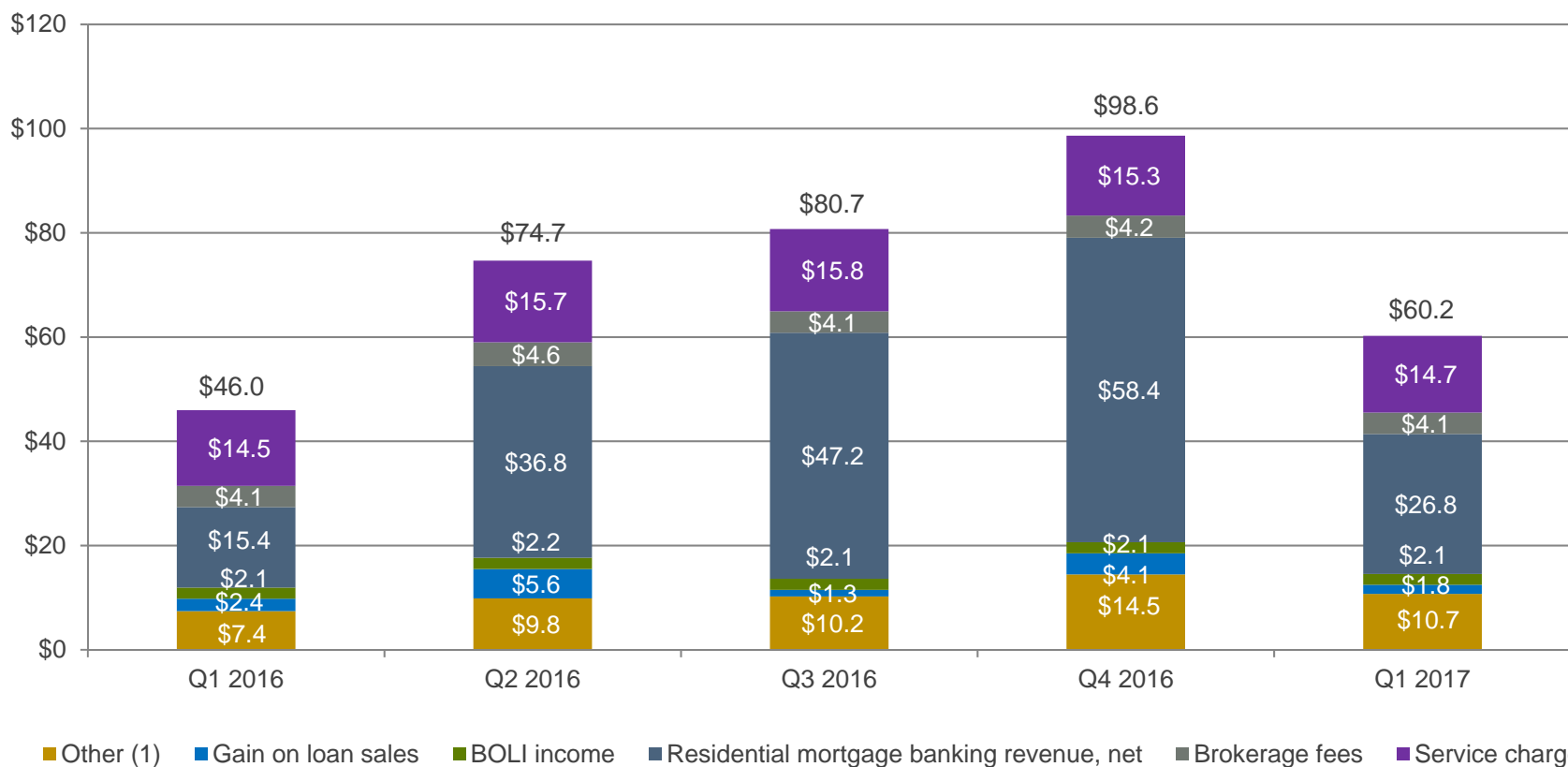
# Provision for Loan and Lease Losses





# Non-interest Income

(in millions)



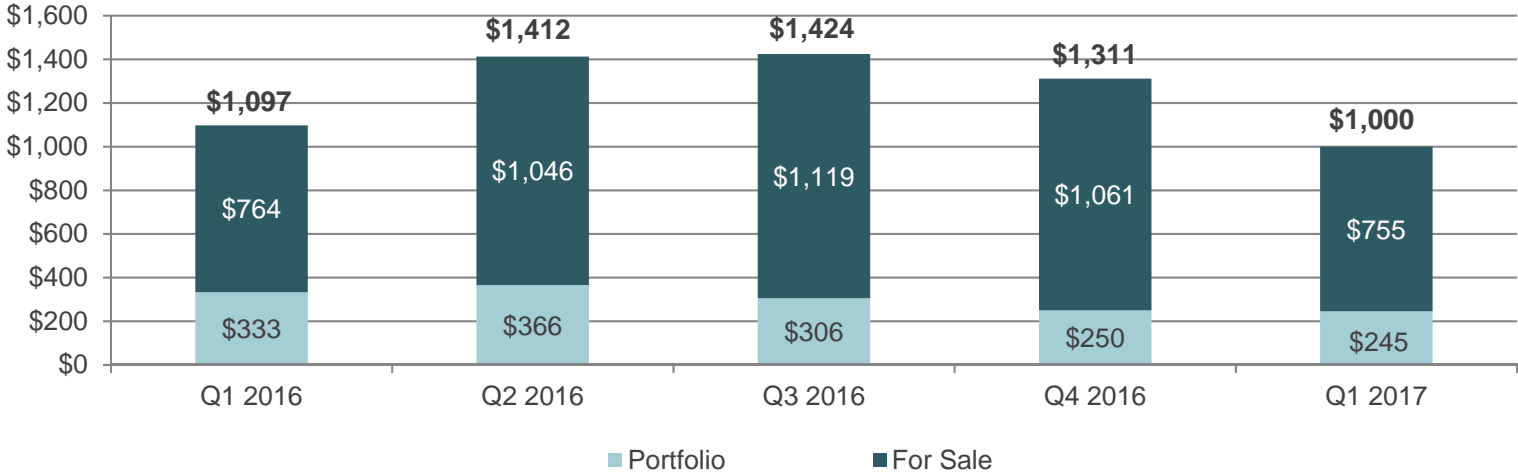
> (1) Includes other income, gains or losses on investment securities and losses on junior subordinated debentures carried at fair value.



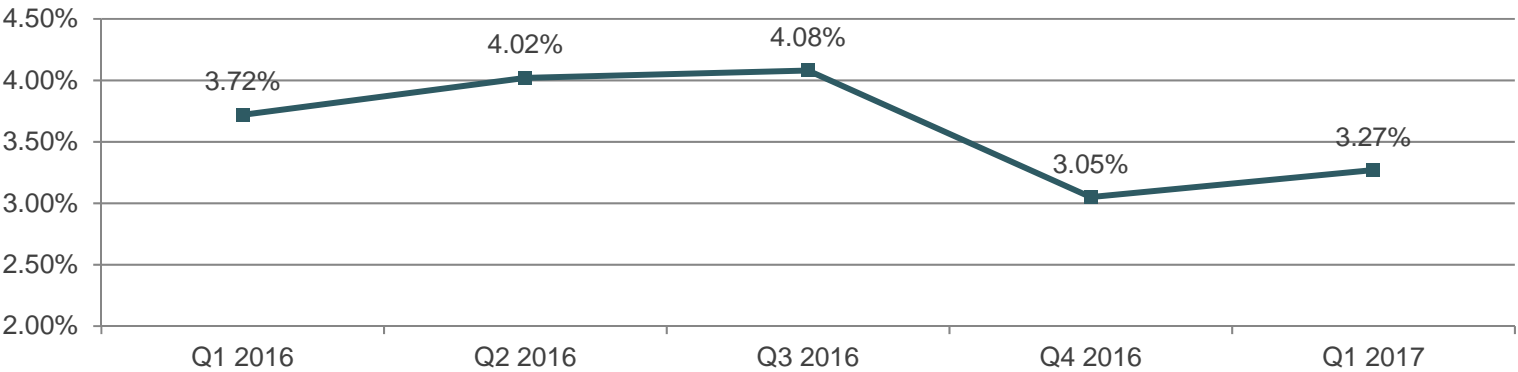
# Mortgage Banking

(in millions)

Closed mortgage volume

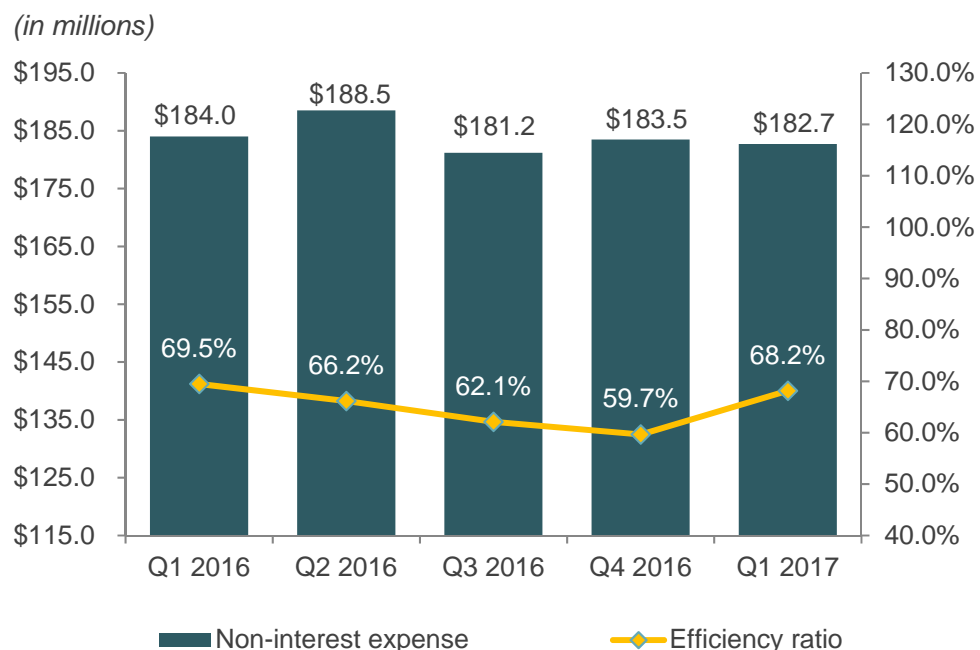


Gain on sale margin

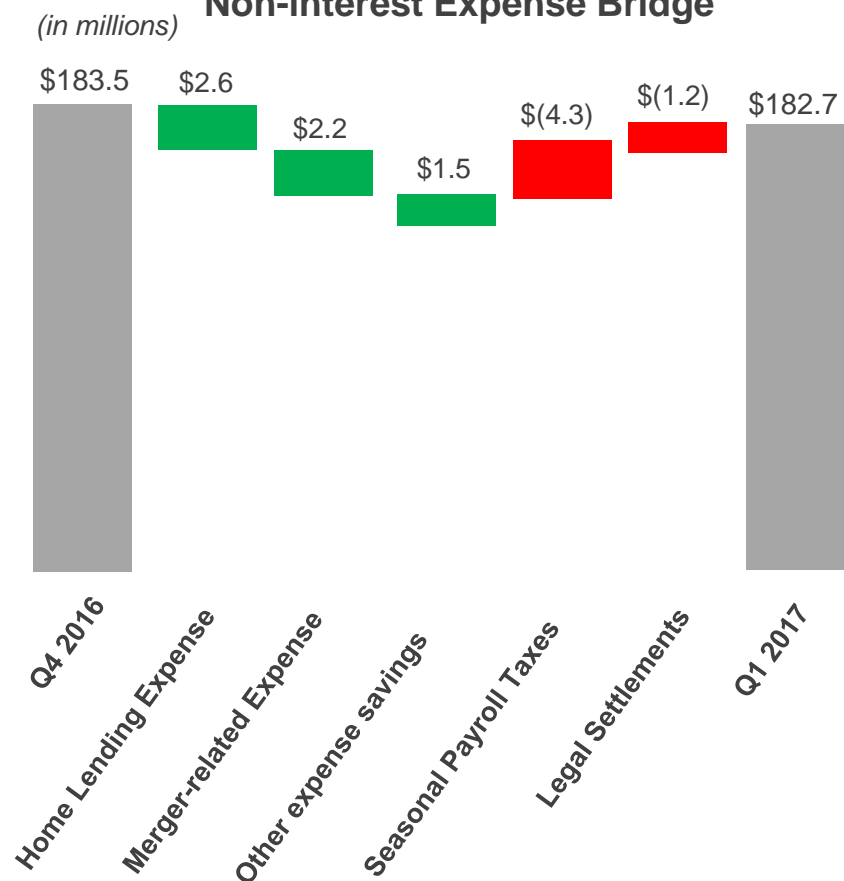


# Non-interest Expense

## Non-interest Expense and Efficiency Ratio



## Non-interest Expense Bridge



# Selected Balance Sheet

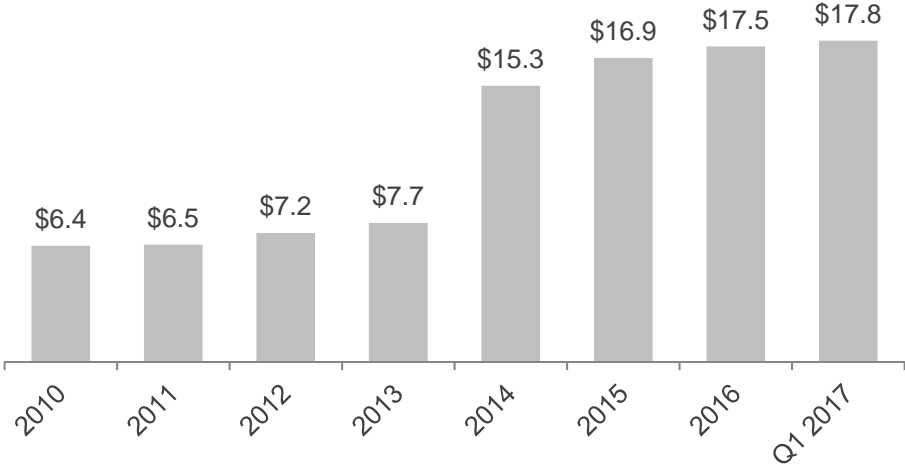
(\$ in millions)

	Q1 2017	Q4 2016	Q1 2016
Total assets	\$ 24,861.5	\$ 24,813.1	\$ 23,935.7
Interest bearing cash and temporary investments	422.0	1,117.4	613.0
Investment securities available for sale, fair value	3,243.4	2,701.2	2,542.5
Loans and leases, gross	17,829.6	17,508.7	16,955.6
Allowance for loan and lease losses	(136.3)	(134.0)	(130.2)
Goodwill and other intangibles, net	1,822.8	1,824.5	1,830.6
Deposits	19,167.3	19,021.0	18,163.0
Securities sold under agreements to repurchase	304.3	352.9	325.2
Term debt	852.3	852.4	903.4
Total shareholders' equity	3,931.2	3,916.8	3,878.6
<u>Ratios:</u>			
Loan to deposit ratio	93.0%	92.0%	93.4%
Book value per common share	\$17.84	\$17.79	\$17.62
Tangible book value per common share <sup>(1)</sup>	\$9.57	\$9.50	\$9.30
Tangible common equity to tangible assets <sup>(1)</sup>	9.15%	9.10%	9.26%

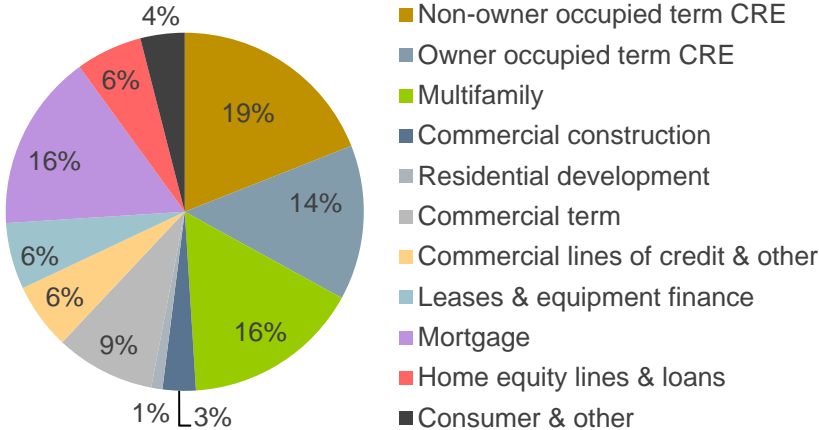
# Loan and Deposit Growth

(in billions)

## Loans and Leases (Gross)

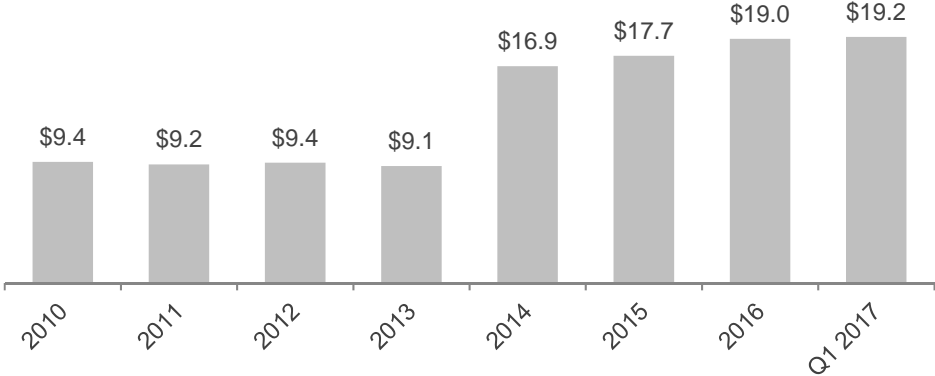


As of Mar 31, 2017

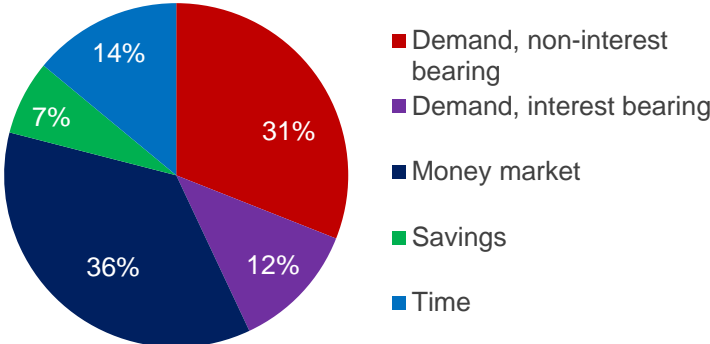


(in billions)

## Total Deposits

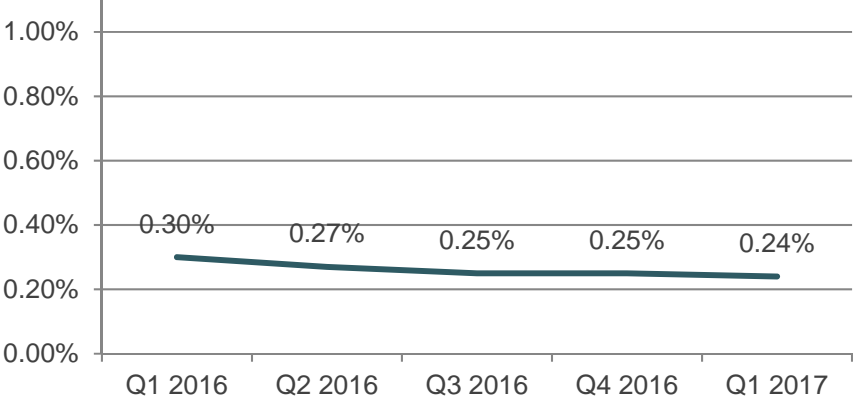


As of Mar 31, 2017

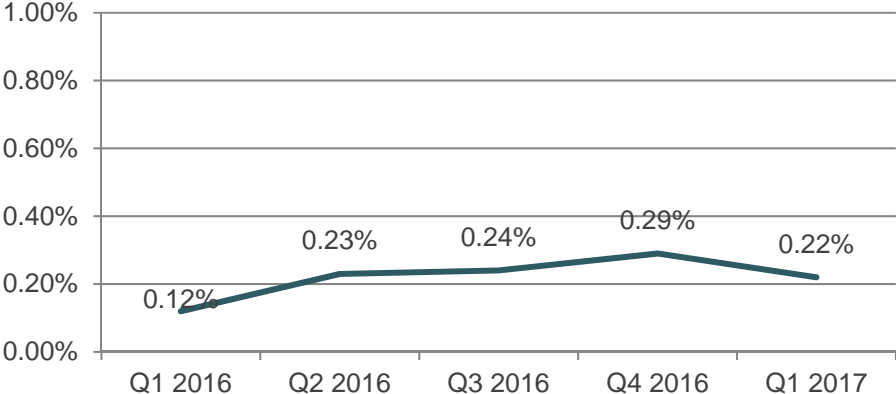


# Credit Quality

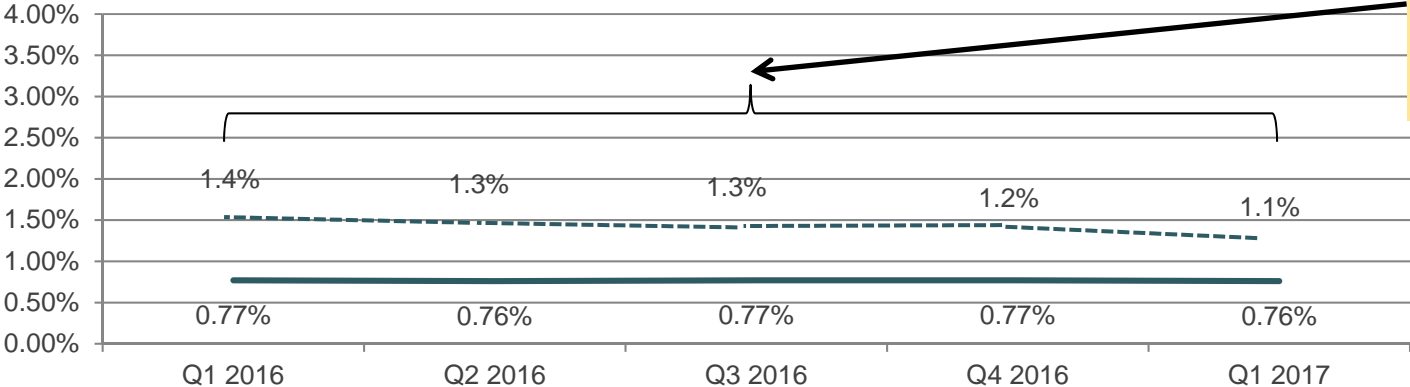
**Non-performing assets to total assets**



**Net charge-offs to average loans and leases (annualized)**



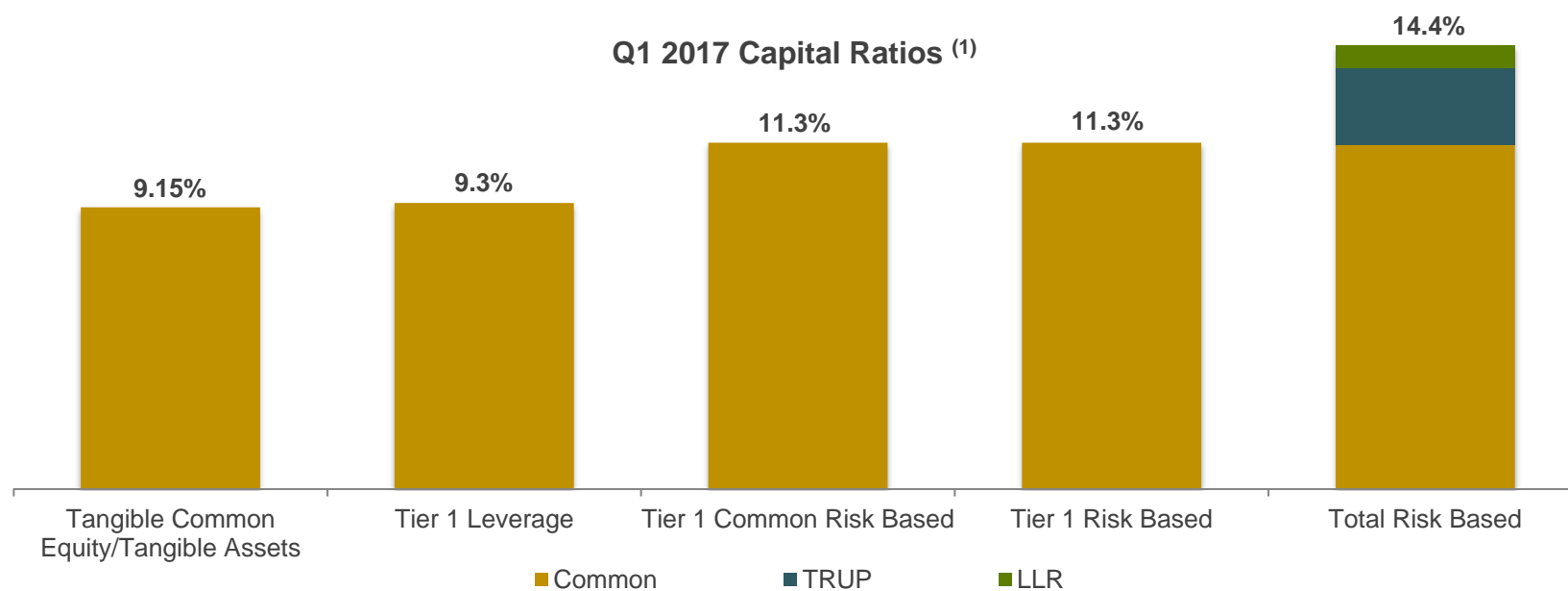
**Allowance for loan and lease losses to loans and leases**



Ratio after grossing up for value of Sterling-related credit mark remaining at quarter end

# Prudent Capital Management

- > All regulatory capital ratios remained in excess of well-capitalized and internal policy limits
- > Focused on prudently managing capital
  - Quarterly dividend of \$0.16 per share, ~3.5% dividend yield
  - Q1 total payout ratio of 77% of earnings



> <sup>(1)</sup> Regulatory capital ratios are estimates pending completion and filing of the Company's regulatory reports.  
> Note: LLR = loan loss reserve, TRUP = trust preferred capital, Common = tangible common equity.

# Appendix – Non-GAAP Reconciliation

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# Non-GAAP Reconciliation – Tangible Book Value

<i>(In thousands, except per share data)</i>	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016
Total shareholders' equity	\$ 3,931,150	\$ 3,916,795	\$ 3,920,208	\$ 3,902,158	\$ 3,878,630
Subtract:					
Goodwill	1,787,651	1,787,651	1,787,651	1,787,651	1,787,651
Other intangible assets, net	35,197	36,886	38,753	40,620	42,948
Tangible common shareholders' equity	\$ 2,108,302	\$ 2,092,258	\$ 2,093,804	\$ 2,073,887	\$ 2,048,031
Total assets	\$ 24,861,458	\$ 24,813,119	\$ 24,744,214	\$ 24,132,507	\$ 23,935,686
Subtract:					
Goodwill	1,787,651	1,787,651	1,787,651	1,787,651	1,787,651
Other intangible assets, net	35,197	36,886	38,753	40,620	42,948
Tangible assets	\$ 23,038,610	\$ 22,988,582	\$ 22,917,810	\$ 22,304,236	\$ 22,105,087
Common shares outstanding at period end	220,349	220,177	220,207	220,482	220,171
Common equity ratio	15.81%	15.79%	15.84%	16.17%	16.20%
Tangible common equity ratio	9.15%	9.10%	9.14%	9.30%	9.26%
Book value per common share	\$ 17.84	\$ 17.79	\$ 17.80	\$ 17.70	\$ 17.62
Tangible book value per common share	\$ 9.57	\$ 9.50	\$ 9.51	\$ 9.41	\$ 9.30



Thank you

