



UMPQUA HOLDINGS CORPORATION
Capital World Investors Presentation
December 10, 2013

Safe Harbor Statement

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This presentation may be deemed to be offering or solicitation materials of Umpqua and Sterling in connection with the proposed merger of Sterling with and into Umpqua. **Shareholders of both companies are urged to read the joint proxy statement/prospectus included in the registration statement on Form S-4, which Umpqua filed with the SEC in connection with the proposed acquisition, because it contains important information about Umpqua, Sterling, the acquisition and related matters.** The directors and executive officers of Umpqua and Sterling may be deemed to be participants in the solicitation of proxies from their respective shareholders. Information regarding the participants and their security holdings can be found in each of Umpqua’s and Sterling’s most recent proxy statements filed with the SEC and the joint proxy statement/prospectus filed with the SEC. All documents filed with the SEC are or will be available for free, both on the SEC web site (<http://www.sec.gov>) and from Umpqua by directing a request to Umpqua Holdings Corporation, Attention: Investor Relations, One Southwest Columbia, Suite 1200, Portland, OR 97258, and from Sterling by directing a request to Sterling Financial Corporation, Investor Relations, 111 North Wall Street, Spokane, WA 99201.

- > Growth company: focus on organic growth
- > Culture and value proposition
- > Brand expansion
- > Based on above, we are a successful acquirer
 - Successfully integrated 26 brands into the Bank since 2000
 - Best of the best approach
- > Community bank at any size

Culture and Value Proposition

Strategy

- › Umpqua one of the country's most innovative community banks



"Stores"

- › Pioneered retail model with bank stores not branches
- › Store concept differentiates company, creates distinct customer experience
- › Stores serve as community hubs



Iconic culture

- › Recognized regionally and nationally as one of the country's best companies:
 - Fortune's "Top 100 Companies to Work For" list each of the last seven years
 - Named "Oregon's Most Admired Financial Services Company" each of the last nine years



Current Footprint



- > **206 stores**
- > **32 commercial banking centers**
- > **\$11.6 billion assets**

What We've Focused On

- > Operating earnings growth
- > Continued loan growth, expanding market presence
- > Leverage solid capital base, deploy/return excess capital
- > Efficiency improvements
- > Continued revenue diversification

What We've Focused On

> Operating earnings growth

- FinPac contributed \$0.05 to operating EPS in Q3, offset home lending decline
- Continued loan growth and diversification in non-interest revenue

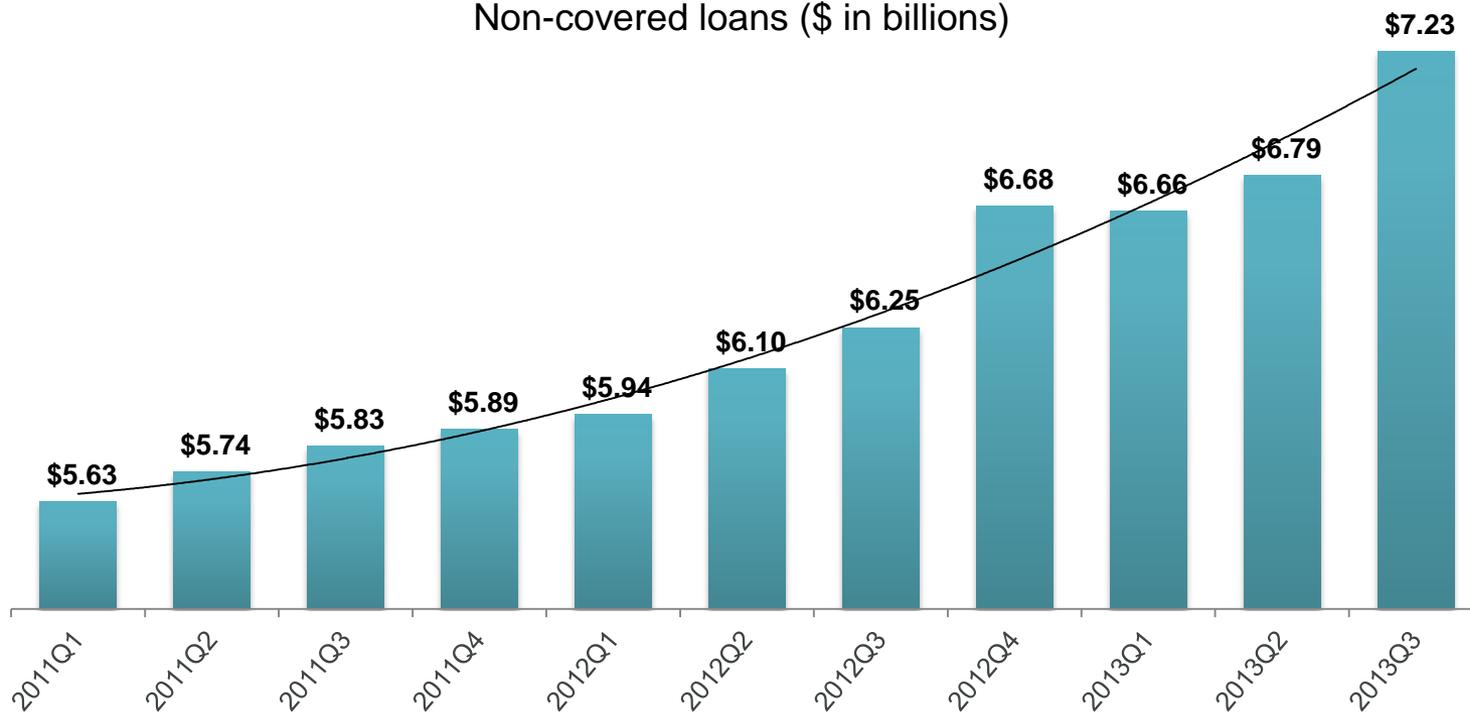
Operating earnings per share



What We've Focused On

- > Continued loan growth, expanding market presence
 - Record commercial production over past year
 - Building relationships and C&I portfolio (now 28% of total)
 - Pipeline at record \$2 billion
 - FinPac added ~\$251 million in Q3, significant growth potential

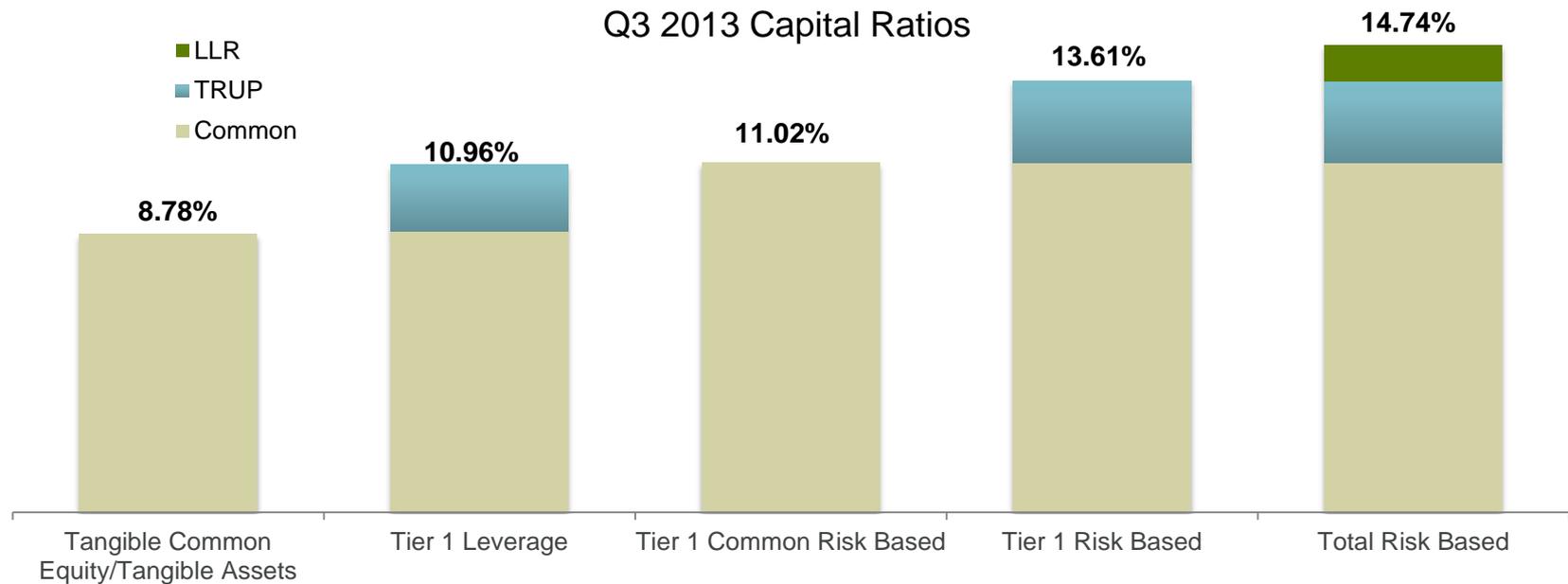
Non-covered loans (\$ in billions)



What We've Focused On

> Leverage solid capital base, deploy/return excess capital

- Focused on deploying excess capital
- Increased dividend to \$0.15/quarter in Q2 2013, ~3.5% yield



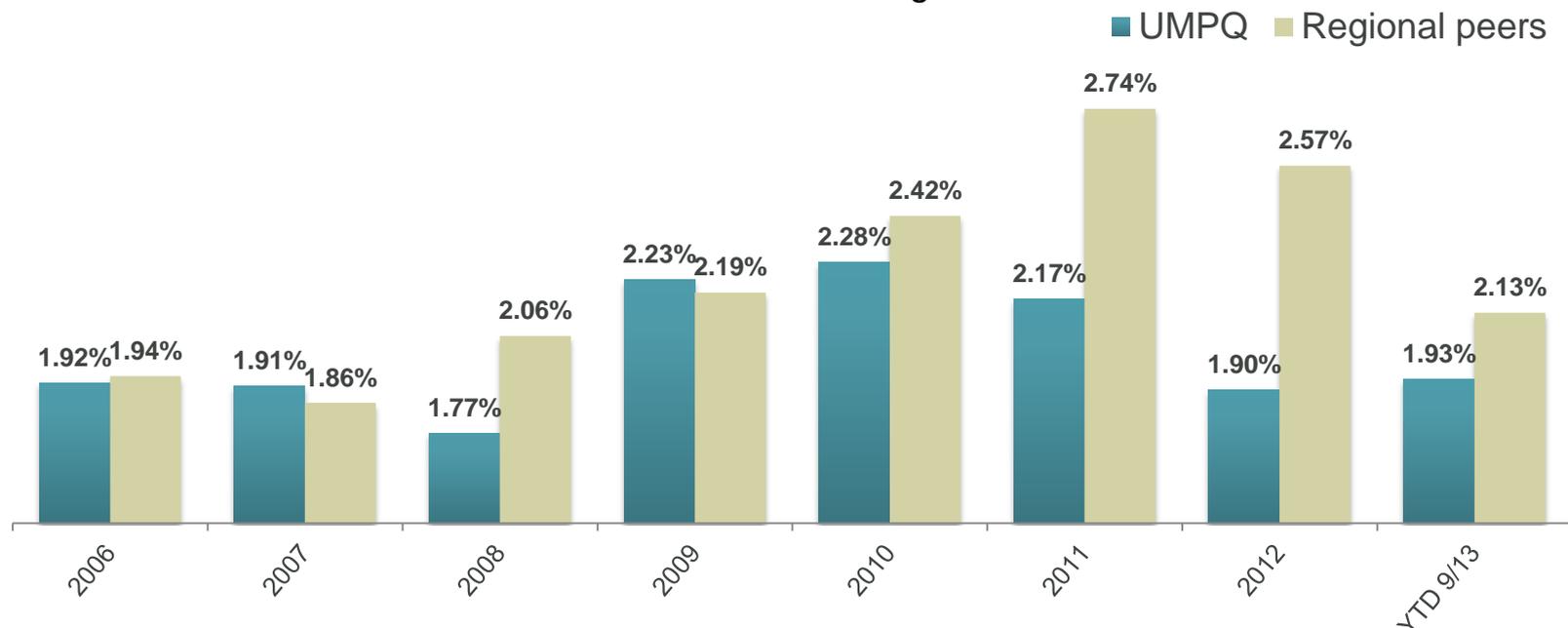
> LLR = loan loss reserve, TRUP = trust preferred capital, COMMON = tangible common equity

What We've Focused On

> Efficiency improvements

- Expanding non-interest revenue lines – wealth management, capital markets, treasury management, international & mortgage banking
- Leverage/reduce core expense in light of low interest rate environment

Net non-interest margin %



> Source: Company filings, SNL Financial

> Note: Regional peers include Banner Corporation, Cascade Bancorp, CVB Financial, PacWest Bancorp, Sterling Financial, Columbia Bancorp, and Westamerica Bancorp; Regional peers represent a median ratio. 2013 peer data represents Q2 2013, as year to date not available at preparation of this presentation.

What We're Focused On

> Priorities

- Shareholder value/total return
- Culture and value proposition
- Brand expansion
- Leverage capital and deploy excess liquidity
- Core deposit growth
- Integration

> Our successes over the past few years have led to the next logical step...

Strategic fit.



Merger of like-minded neighbors with a shared vision of the future

Strategically attractive

- › \$22bn in assets and 394 stores across five states, focused on consumers and businesses seeking a strong, locally-run community bank on the West Coast
- › Complementary branch footprints offer both market density and opportunity for consolidation
- › Top 3 among independent banks in 10 of 11 primary markets

Low-risk, high-return opportunity for both sides

- › Right timing: credit profiles of both institutions are stable
- › Strong team: focused on execution with significant merger integration experience
- › Meaningful cost synergies: targeting 30% of Sterling's core cash noninterest expenses

Financially compelling

- › 12%+ EPS accretion to Umpqua¹
- › Tangible book value earnback of 2.5 years (0.75 year spot earnback)
- › ~15% IRR

¹ Based on IBES 2015E EPS excluding announced restructuring expenses



Merger Summary

Name:	› Umpqua Holdings Corporation / Umpqua Bank
Headquarters:	› Portland, OR
Management:	› President and CEO of Umpqua Holdings, Ray Davis › Co-Presidents of Umpqua Bank, Cort O'Haver and Greg Seibly
Board:	› 9 Umpqua (including Chair) / 4 Sterling
Timing:	› Expected to close in 1H 2014, subject to customary approvals
Ownership:	› 51% Umpqua / 49% Sterling
Consideration:	› 1.671 Umpqua shares and \$2.18 in cash for each Sterling share <ul style="list-style-type: none">• Equivalent to \$30.52¹ per Sterling share• 15% premium to Sterling's September 11, 2013, closing stock price• 16% premium to Sterling's 30-day average closing stock price
Deal value:	› \$1,968mm ¹ <ul style="list-style-type: none">• 18.8x IBES 2015E EPS• 12.2x synergized 2015E EPS²• 1.67x Q2 2013 tangible book value (vs. 1.70x for \$500mm-\$2.5bn U.S. bank mergers and acquisitions³ since January 2012)

¹ Based on Umpqua closing share price of \$16.96 on September 11, 2013

² Reflects after-tax impact of run-rate cost savings; does not include fair value or other transaction adjustments

³ Sample includes eleven bank sector M&A transactions with deal value of \$500mm-\$2.5bn which were announced since January 1, 2012



Proforma Footprint



Key merger assumptions

Cost synergies:	<ul style="list-style-type: none">› 30% of Sterling's core cash operating expenses, or 14% of combined expenses› Staggered phase-in: 50% in 2014, 100% thereafter› 42 branches within two miles of each other (11% of combined)
One-time charges:	<ul style="list-style-type: none">› Pre-tax restructuring charge of \$80mm
Sterling balance sheet restructuring:	<ul style="list-style-type: none">› Reduce liability sensitivity with term placement of wholesale borrowings, and other balance sheet restructuring
Core deposit intangible:	<ul style="list-style-type: none">› ~1.25% of Sterling's non-time deposits amortized over 10 years (sum-of-the-years digits methodology)
Credit mark:	<ul style="list-style-type: none">› \$250mm gross pre-tax mark on loans (3.2% of gross loans at closing)
Rate mark:	<ul style="list-style-type: none">› Net \$(47mm) pre-tax rate mark, reflecting impacts of (\$52mm) discount on loans, (\$25mm) premium on time deposits, (\$56mm) premium on repurchase agreements and (\$5mm) premium on FHLB borrowings; and impact of \$91mm discount on trust preferred
Sterling DTA:	<ul style="list-style-type: none">› Sterling's current ~\$283mm net deferred tax asset is transferrable to the pro-forma company

Focus on Integration

- Leaders:**
- › Executive leadership
 - › Direct to CEO

- Achievements to date:**
- › All regulatory applications filed
 - › Preliminary S-4 filed w/ SEC
 - › Divestiture marketing underway
 - › Executive level organizational structure finalized
 - › 18 specific area detail plans underway
 - › Integration team leaders on both sides identified, weekly planning meetings
 - › External resources contracted

- Prior to closing:**
- › Target technology architecture plan
 - › Brand campaign

Umpqua has successfully integrated 26 brands since 2000.



