

UMPQUA HOLDINGS CORPORATION

1st Quarter 2016 Earnings Conference Call Presentation

April 21, 2016



Forward-looking Statements and Notes

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. In this presentation we make forward-looking statements about credit discount accretion related to loans acquired from Sterling Financial Corporation, loan and lease growth and loan sales, and planned investments and results of new initiatives. 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 ability to successfully develop and market new products and technology; changes in laws or regulations; and changes in general economic conditions.

Q1 2016 Highlights

❑ Net earnings decreased, while operating earnings⁽¹⁾ remained flat:

- Net interest income decreased by \$2.1 million, driven by one fewer day in the quarter and a 3 basis point decline in net interest margin
- Non-interest income decreased by \$23.4 million, reflecting a charge of \$20.6 million related to negative fair value adjustments to the mortgage servicing rights (“MSR”) asset and a charge of \$1.8 million related to a decline in the fair value of debt capital market swap derivatives, both driven by the decline in long-term interest rates during the quarter. Excluding the impact of non-operating items⁽¹⁾, total non-interest income increased by \$1.1 million, driven primarily by higher mortgage banking revenue
- Non-interest expense decreased by \$1.9 million. Excluding the impact of non-operating items⁽¹⁾, total non-interest expense decreased by \$2.1 million, driven by lower core expenses in most categories, partially offset by higher seasonal payroll taxes and a higher loss on other real estate owned

❑ Robust loan and deposit growth:

- Net loan and lease growth of \$94.1 million, or 2% annualized, including \$139.2 million of loan sales and \$256.0 million of loans transferred to held for sale. Gross loan and lease growth (prior to the impact of loan sales and transfers) of \$489.2 million, or 12% annualized
- Deposit growth of \$455.8 million, or 10% annualized
- Loan to deposit ratio decreased to 93%

❑ Prudently managed capital:

- Book value per share increased by 1% sequentially to \$17.62 per share and tangible book value per share⁽¹⁾ increased by 2% sequentially to \$9.30
- Estimated total risk-based capital ratio of 14.2% and estimated Tier 1 common to risk weighted assets ratio of 11.2%
- Paid quarterly cash dividend of \$0.16 per common share;
- Repurchased 235,000 shares of common stock for \$3.5 million

➢ ⁽¹⁾ Non-GAAP financial measure. A reconciliation to the comparable GAAP measurement is provided in the appendix of this slide presentation.

Key Performance Ratios

		For the quarter ended				
		Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Profitability (operating basis) ⁽¹⁾	Return on average assets	1.10%	1.10%	1.19%	1.20%	1.12%
	Return on average tangible assets	1.19%	1.20%	1.29%	1.30%	1.22%
	Return on average common equity	6.63%	6.64%	7.13%	7.17%	6.68%
	Return on average tangible common equity	12.57%	12.70%	13.74%	13.89%	12.96%
	Efficiency ratio - consolidated	62.49%	63.00%	60.17%	59.96%	61.09%
	Net interest margin - consolidated	4.34%	4.37%	4.42%	4.48%	4.51%
Credit Quality	Non-performing loans and leases to loans and leases	0.31%	0.26%	0.25%	0.29%	0.33%
	Non-performing assets to total assets	0.30%	0.29%	0.28%	0.31%	0.36%
	Net charge-offs to average loans and leases (annualized)	0.12%	0.10%	0.13%	0.11%	0.23%
Capital	Tangible common equity to tangible assets ⁽¹⁾	9.27%	9.35%	9.37%	9.38%	9.28%
	Tier 1 common to risk-weighted asset ratio ⁽²⁾	11.2%	11.4%	11.5%	11.6%	11.1%
	Total risk-based capital ratio ⁽²⁾	14.2%	14.3%	14.5%	14.6%	14.6%

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

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

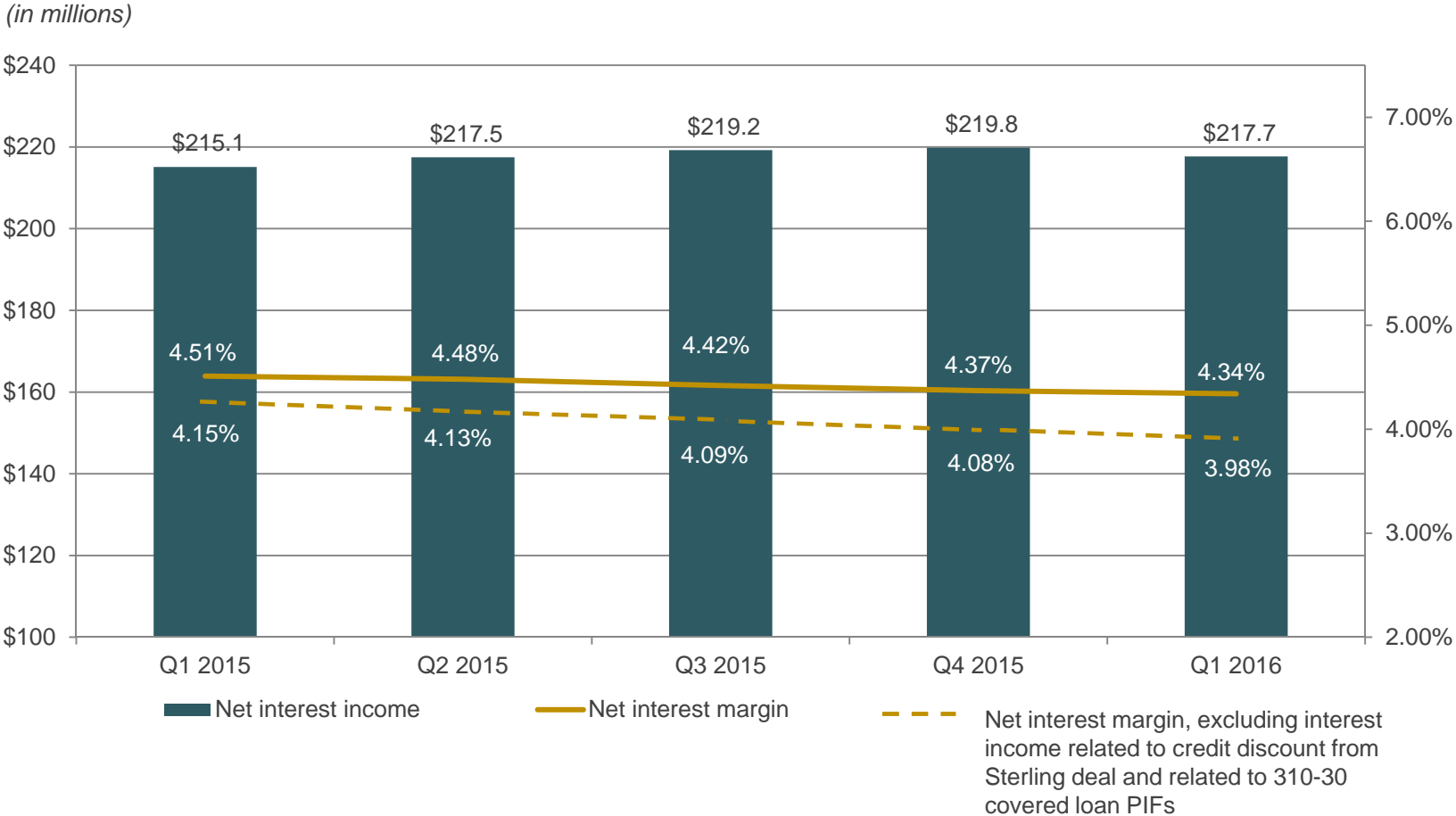
Summary Income Statement

(\$ in millions except per share data)	Quarter ended		
	Q1 2016	Q4 2015	Q1 2015
Net interest income before provision	\$ 217.7	\$ 219.8	\$ 215.1
Provision for loan and lease losses	4.8	4.5	12.6
Net interest income	212.9	215.3	202.5
Non-interest income	46.0	69.3	63.9
Non-interest expense	184.0	185.9	192.6
Income before provision for income taxes	74.8	98.7	73.8
Provision for income taxes	27.3	35.7	26.6
Net income	47.6	63.0	47.1
Dividends and undistributed earnings allocated to participating securities	0.0	0.1	0.1
Net earnings available to common shareholders	\$ 47.5	\$ 62.9	\$ 47.0
Total non-operating adjustments, pre tax ⁽¹⁾⁽²⁾	27.2	2.5	26.0
Income tax effect ⁽¹⁾	(10.8)	(1.0)	(10.4)
Operating earnings⁽²⁾	\$ 63.9	\$ 64.4	\$ 62.7
Earnings per diluted share:			
Earnings available to common shareholders	\$0.22	\$0.28	\$0.21
Operating earnings ⁽²⁾	\$0.29	\$0.29	\$0.28

- > Note: tables may not foot due to rounding.
- > ⁽¹⁾ Income tax effect of pro forma operating earnings adjustments at 40% for tax-deductible items.
- > ⁽²⁾ Non-GAAP financial measure. A reconciliation to the comparable GAAP measurement is provided in the appendix of this slide presentation.

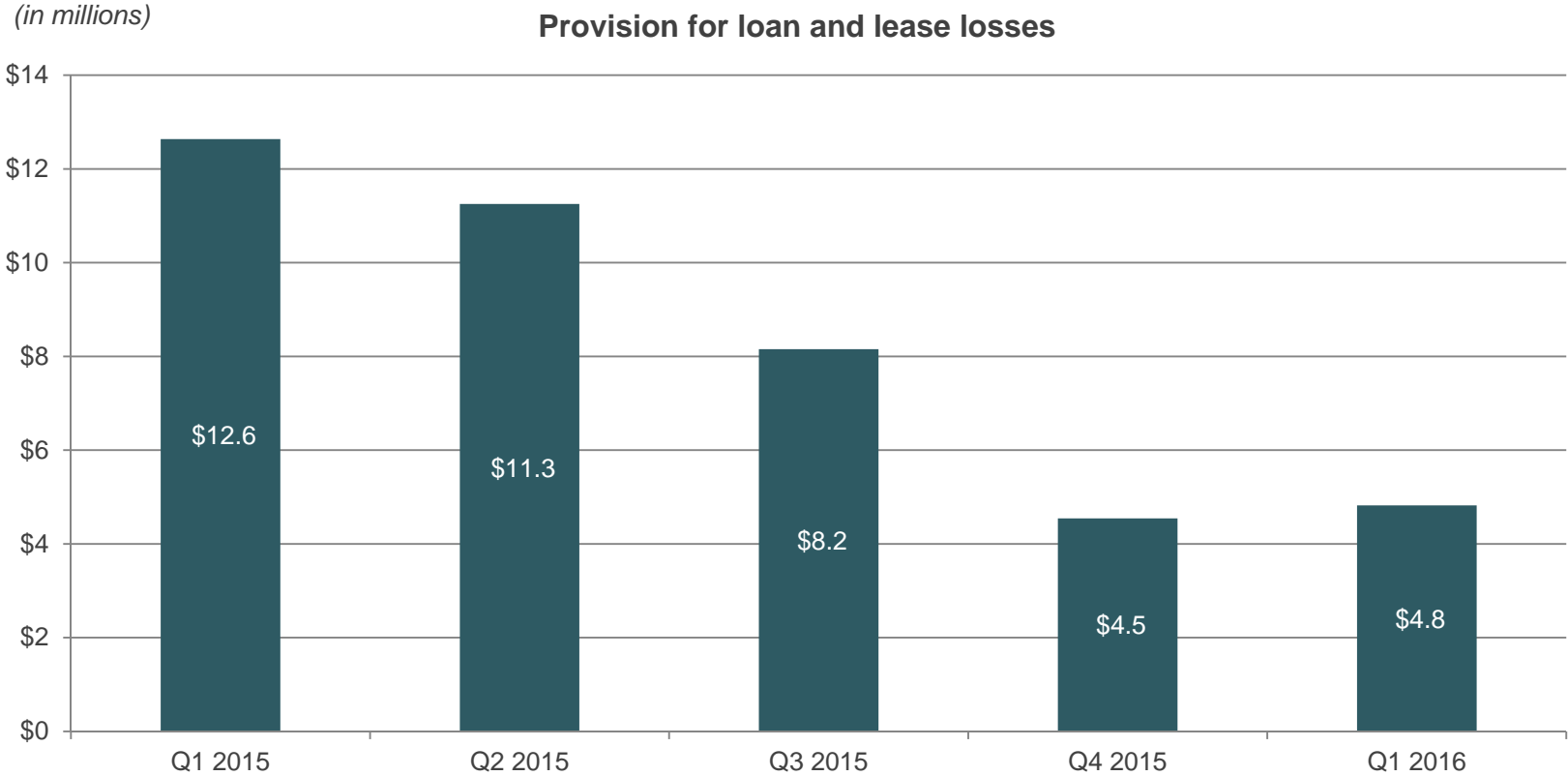
Net Interest Income and Margin

- > Net interest income decreased by \$2.1 million from the prior quarter
 - Driven by one less day in the quarter and a decline in net interest margin
 - Net interest margin, excluding credit discount, declined by 10 bps, reflecting portfolio mix changes and the impact from a continued low interest rate environment



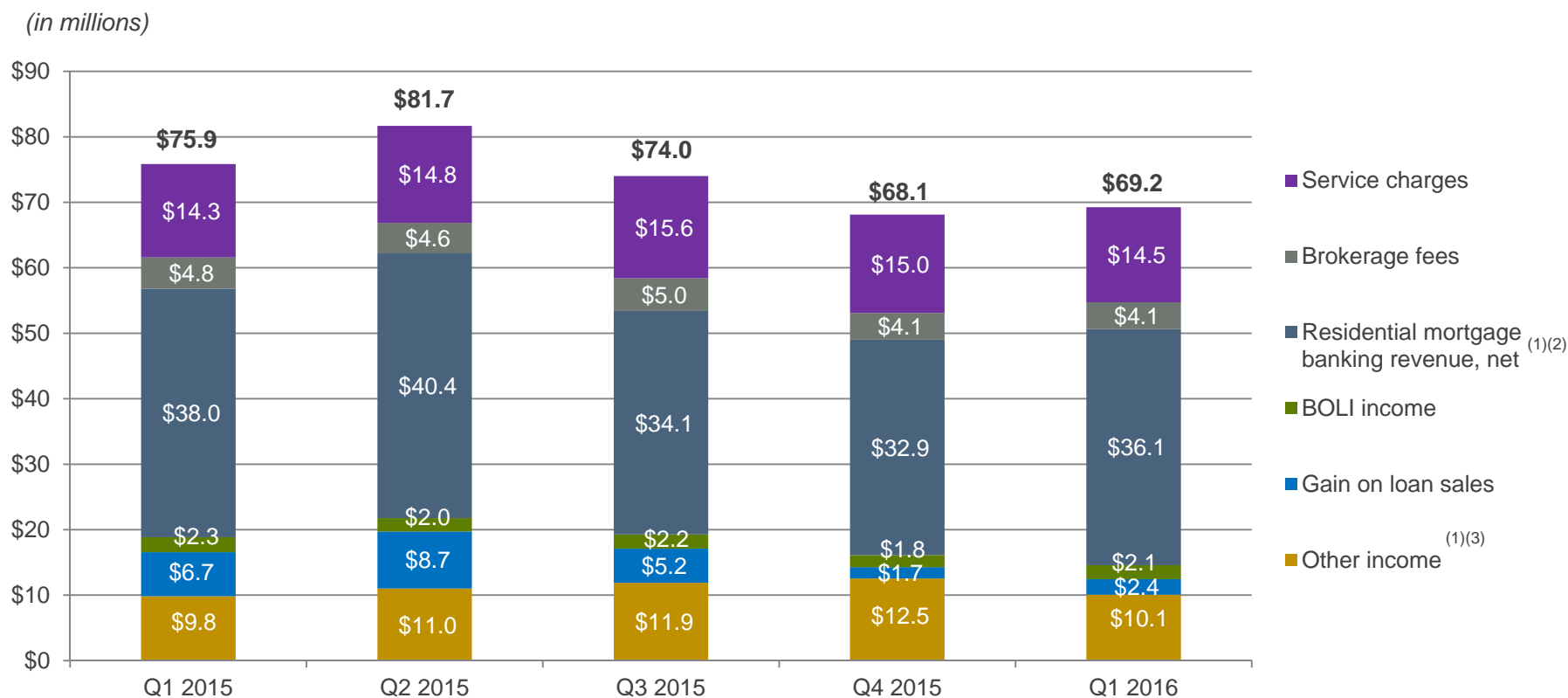
Provision for Loan and Lease Losses

> Provision for loan and lease losses increased by \$278,000 from the prior quarter



Non-interest Income

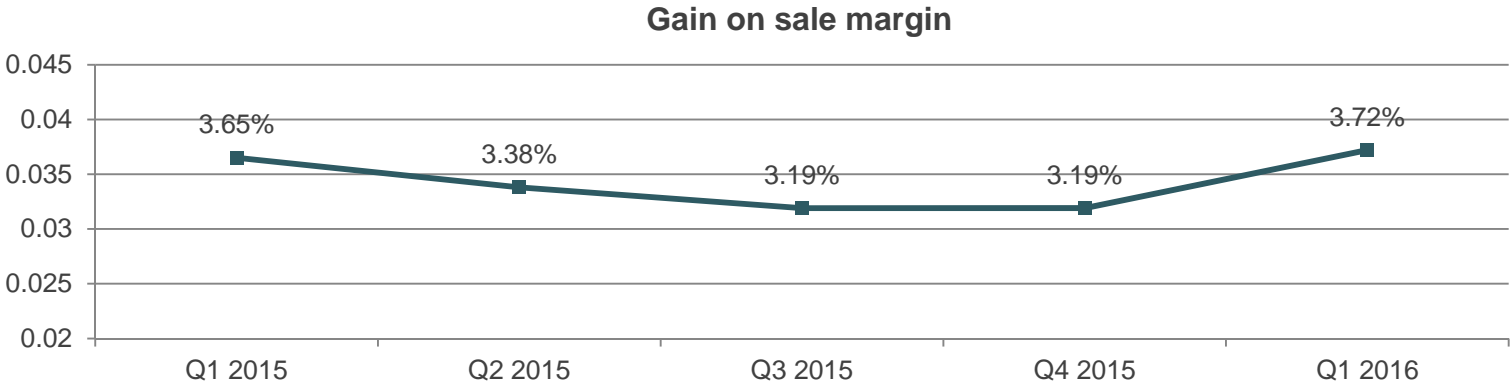
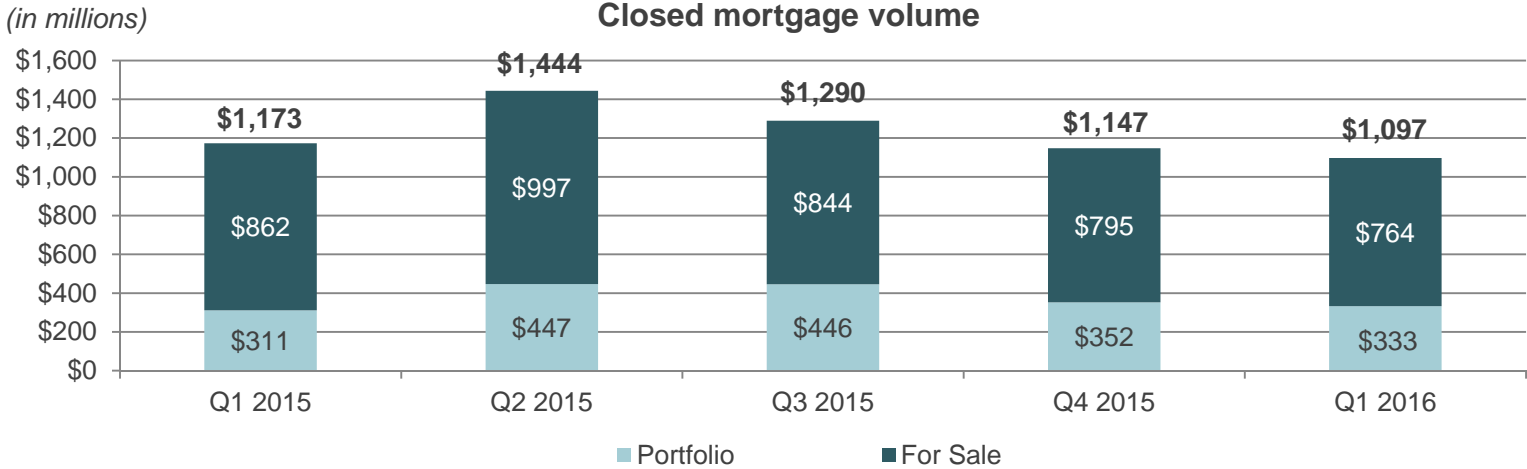
- > On an operating basis ⁽¹⁾, non-interest income increased by \$1.1 million from the prior quarter
 - Driven primarily by increased mortgage banking revenue



- > ⁽¹⁾ Non-GAAP financial measure. A reconciliation to the comparable GAAP measurement is provided at the end of this slide presentation.
- > ⁽²⁾ Excludes change in fair value of MSR asset.
- > ⁽³⁾ Excludes change in fair value of swap derivative

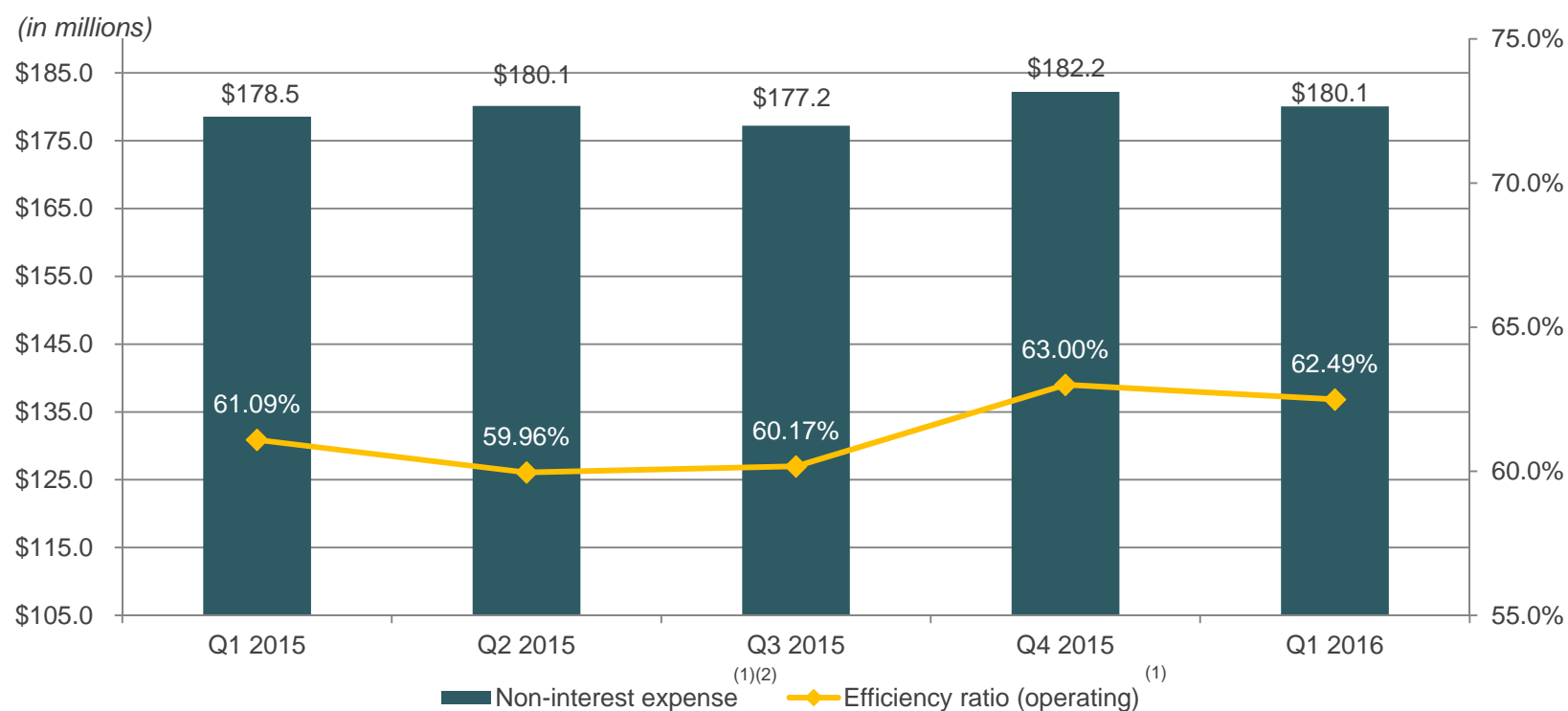
Mortgage Banking

- > For sale mortgage originations decreased by 4% from the prior quarter, and gain on sale margin increased to 3.72%



Non-interest Expense

- > On an operating basis ⁽¹⁾, non-interest expense decreased by \$2.1 million from the prior quarter
 - Driven by lower core expenses in most categories.
 - Partially offset by higher seasonal payroll taxes and a higher loss on other real estate owned.
 - Efficiency ratio (operating) ⁽¹⁾ improved to 62.49%



> ⁽¹⁾ Non-GAAP financial measure. A reconciliation to the comparable GAAP measurement is provided at the end of this slide presentation.
 > ⁽²⁾ Excludes merger related expenses, goodwill impairment and exit or disposal costs.

Selected Balance Sheet

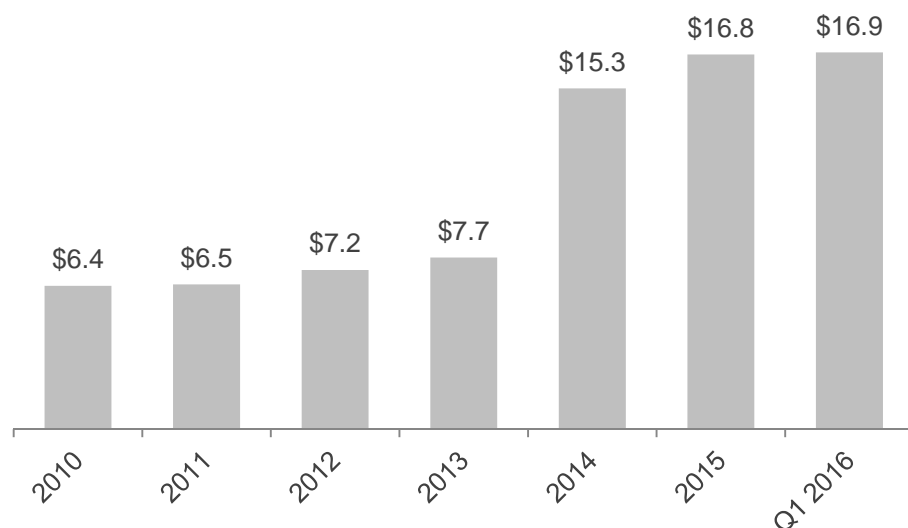
<i>(\$ in millions)</i>	Q1 2016	Q4 2015	Q1 2015
Total assets	\$ 23,921.5	\$ 23,387.2	\$ 22,953.2
Interest bearing cash and temporary investments	613.0	496.1	1,088.3
Investment securities available for sale, fair value	2,542.5	2,522.5	2,535.1
Loans and leases, gross	16,941.4	16,847.4	15,549.0
Allowance for loan and lease losses	(130.2)	(130.3)	(120.1)
Goodwill and other intangibles, net	1,830.6	1,833.3	1,842.6
Deposits	18,163.0	17,707.2	17,222.6
Securities sold under agreements to repurchase	325.2	304.6	321.2
Term debt	903.4	888.8	965.7
Total shareholders' equity	3,878.6	3,849.3	3,801.0
<u>Ratios:</u>			
Loan to deposit ratio	93.3%	95.1%	90.3%
Book value per common share	\$17.62	\$17.48	\$17.24
Tangible book value per common share ⁽¹⁾	\$9.30	\$9.16	\$8.88
Tangible common equity to tangible assets ⁽¹⁾	9.27%	9.35%	9.28%

Loan Growth

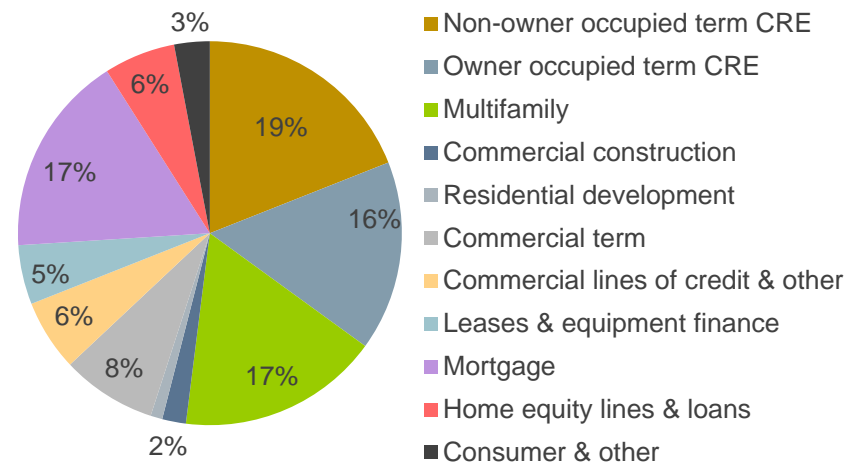
- > Gross loan and lease growth of \$489.2 billion, or 12%, annualized, from the prior quarter
 - Partially offset by sales of \$129.4 million of multi-family loans and \$9.7 million of purchase credit impaired commercial real estate loans
 - In addition, \$170.8 million of portfolio residential mortgage loans and \$85.2 million of multi-family loans were transferred to held for sale (expected to be sold during the second quarter of 2016)

(in billions)

Loans and Leases (Gross)



As of Mar 31, 2016

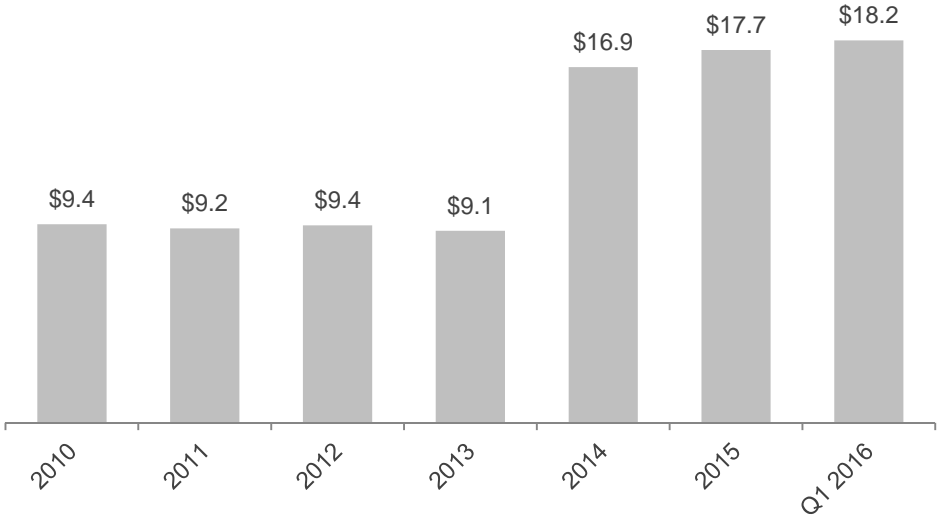


Deposit Growth

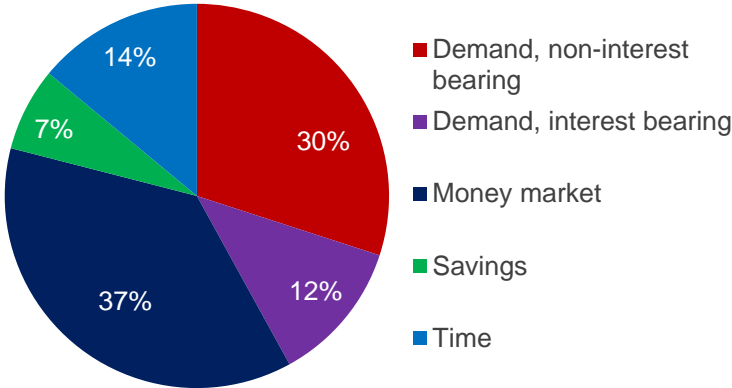
- > Total deposits increased by \$455.8 million, or 10% annualized, from the prior quarter
 - Driven by growth in demand, savings and money market deposits
 - Cost of interest bearing deposits increased by 1 bps to 0.27%

(in billions)

Total Deposits



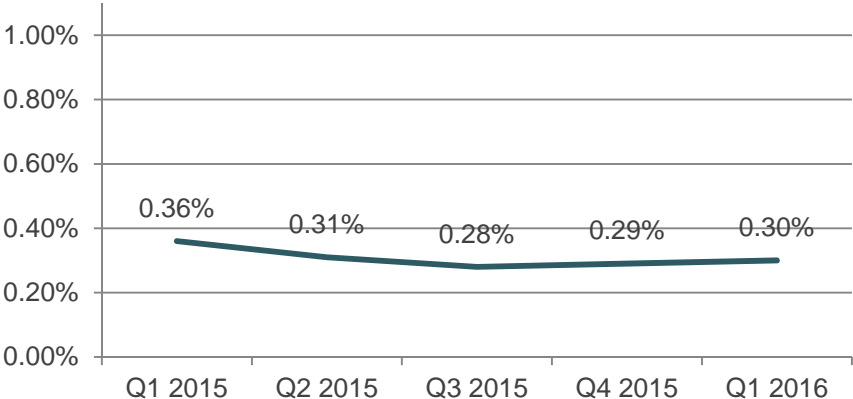
As of Mar 31, 2016



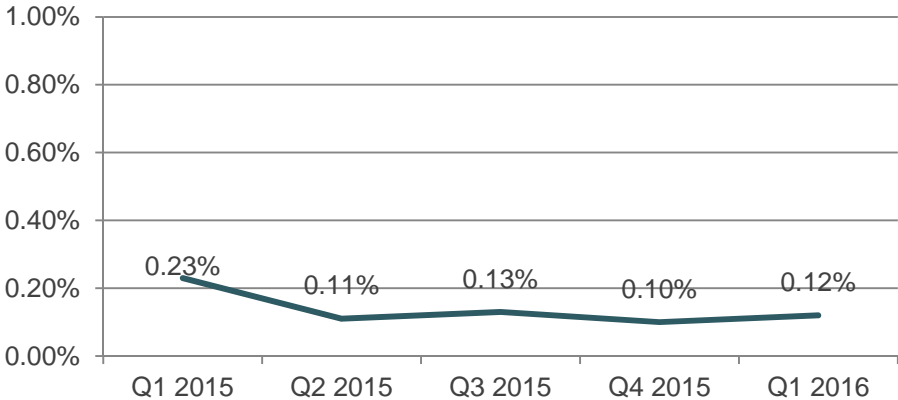
Credit Quality

> All of the key credit quality ratios remained strong

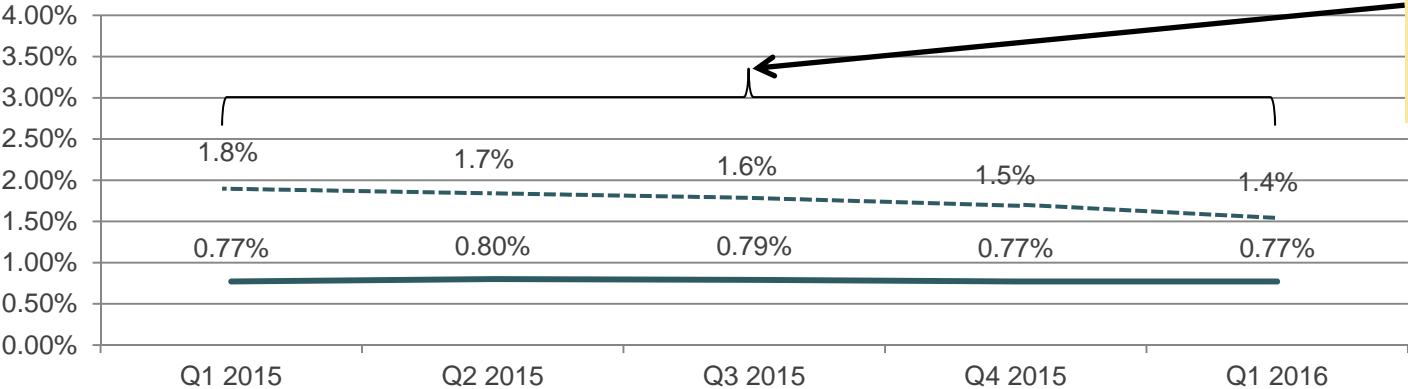
Non-performing assets to total assets



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



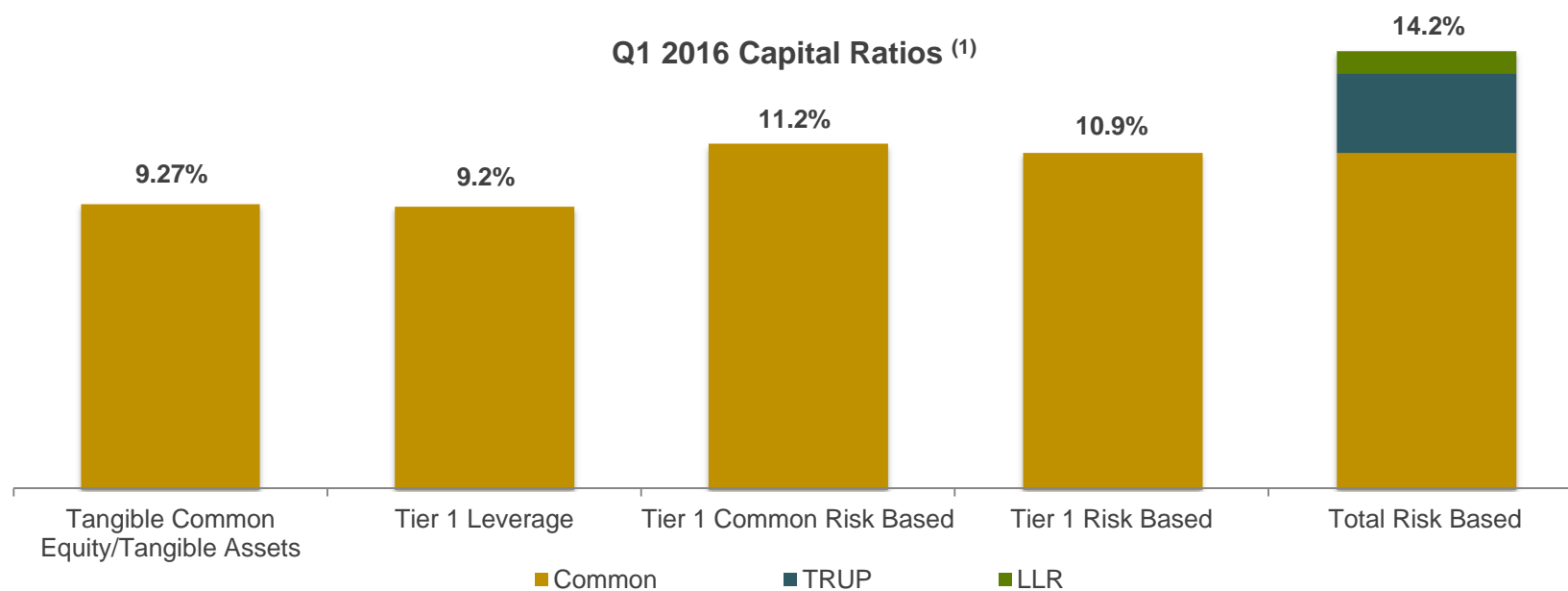
Allowance for loan and lease losses to loans and leases



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, ~3.9% dividend yield
 - Repurchased 235,000 shares of common stock for \$3.5 million
 - Total payout ratio of 61% of operating earnings



> ⁽¹⁾ 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

Non-GAAP Reconciliation – Operating Earnings

<i>(In thousands, except per share data)</i>	Quarter Ended					% Change	
	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Seq. Quarter	Year over Year
Net earnings available to common shareholders	\$ 47,540	\$ 62,923	\$ 57,523	\$ 54,691	\$ 47,045	(24)%	1 %
Adjustments:							
Merger related expenses	3,450	3,712	5,991	21,797	14,082	(7)%	(76)%
Net loss on junior subordinated debentures carried at fair value	1,572	1,589	1,590	1,572	1,555	(1)%	1 %
Loss from change in fair value of MSR asset	20,625	469	10,103	423	9,728	nm	112 %
Loss (gain) from change in fair value of swap derivative	1,793	(715)	1,181	(1,408)	781	nm	130 %
Gain on investment securities, net	(696)	(2,567)	(220)	(19)	(116)	(73)%	500 %
Goodwill impairment	142	—	—	—	—	nm	nm
Exit or disposal costs	347	—	—	—	—	nm	nm
Total pre-tax adjustments	27,233	2,488	18,645	22,365	26,030	995 %	5 %
Income tax effect (1)	(10,836)	(995)	(7,458)	(8,946)	(10,412)	989 %	4 %
Net adjustments	16,397	1,493	11,187	13,419	15,618	998 %	5 %
Operating earnings	\$ 63,937	\$ 64,416	\$ 68,710	\$ 68,110	\$ 62,663	(1)%	2 %
<u>Earnings per diluted share:</u>							
Earnings available to common shareholders	\$ 0.22	\$ 0.28	\$ 0.26	\$ 0.25	\$ 0.21	(21)%	5 %
Operating earnings	\$ 0.29	\$ 0.29	\$ 0.31	\$ 0.31	\$ 0.28	0 %	4 %

(1) Income tax effect of pro forma operating earnings adjustments at 40% for tax-deductible items.

nm = not meaningful.

Non-GAAP Reconciliation – Operating Earnings

(Dollars in thousands)

Non-interest income (GAAP)

Adjustments:

Net loss on junior subordinated debentures carried at fair value

Loss from change in fair value of MSR asset

Loss (gain) from change in fair value of swap derivative

Gain on investment securities, net

Non-interest income (operating basis)

	Quarter Ended				
	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
Non-interest income (GAAP)	\$ 45,951	\$ 69,345	\$ 61,372	\$ 81,102	\$ 63,905
Adjustments:					
Net loss on junior subordinated debentures carried at fair value	1,572	1,589	1,590	1,572	1,555
Loss from change in fair value of MSR asset	20,625	469	10,103	423	9,728
Loss (gain) from change in fair value of swap derivative	1,793	(715)	1,181	(1,408)	781
Gain on investment securities, net	(696)	(2,567)	(220)	(19)	(116)
Non-interest income (operating basis)	\$ 69,245	\$ 68,121	\$ 74,026	\$ 81,670	\$ 75,853

Non-interest expense (GAAP)

Adjustments:

Merger related expenses

Goodwill impairment

Exit or disposal costs

Non-interest expense (operating basis)

	Quarter Ended				
	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
Non-interest expense (GAAP)	\$ 183,989	\$ 185,911	\$ 183,194	\$ 201,918	\$ 192,619
Adjustments:					
Merger related expenses	(3,450)	(3,712)	(5,991)	(21,797)	(14,082)
Goodwill impairment	(142)	—	—	—	—
Exit or disposal costs	(347)	—	—	—	—
Non-interest expense (operating basis)	\$ 180,050	\$ 182,199	\$ 177,203	\$ 180,121	\$ 178,537

Non-GAAP Reconciliation – Tangible Book Value

<i>(In thousands, except per share data)</i>	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
Total shareholders' equity	\$ 3,878,630	\$ 3,849,334	\$ 3,835,552	\$ 3,804,179	\$ 3,800,970
Subtract:					
Goodwill and other intangible assets, net	1,830,599	1,833,301	1,836,954	1,839,760	1,842,567
Tangible common shareholders' equity	\$ 2,048,031	\$ 2,016,033	\$ 1,998,598	\$ 1,964,419	\$ 1,958,403
Total assets	\$ 23,921,531	\$ 23,387,205	\$ 23,162,304	\$ 22,793,331	\$ 22,953,158
Subtract:					
Goodwill and other intangible assets, net	1,830,599	1,833,301	1,836,954	1,839,760	1,842,567
Tangible assets	\$ 22,090,932	\$ 21,553,904	\$ 21,325,350	\$ 20,953,571	\$ 21,110,591
Common shares outstanding at period end	220,171	220,171	220,217	220,280	220,454
Tangible common equity ratio	9.27%	9.35%	9.37%	9.38%	9.28%
Tangible book value per common share	\$ 9.30	\$ 9.16	\$ 9.08	\$ 8.92	\$ 8.88



Thank you

