

UMPQUA HOLDINGS CORPORATION

4th Quarter 2018 Earnings Conference Call Presentation

January 24, 2019

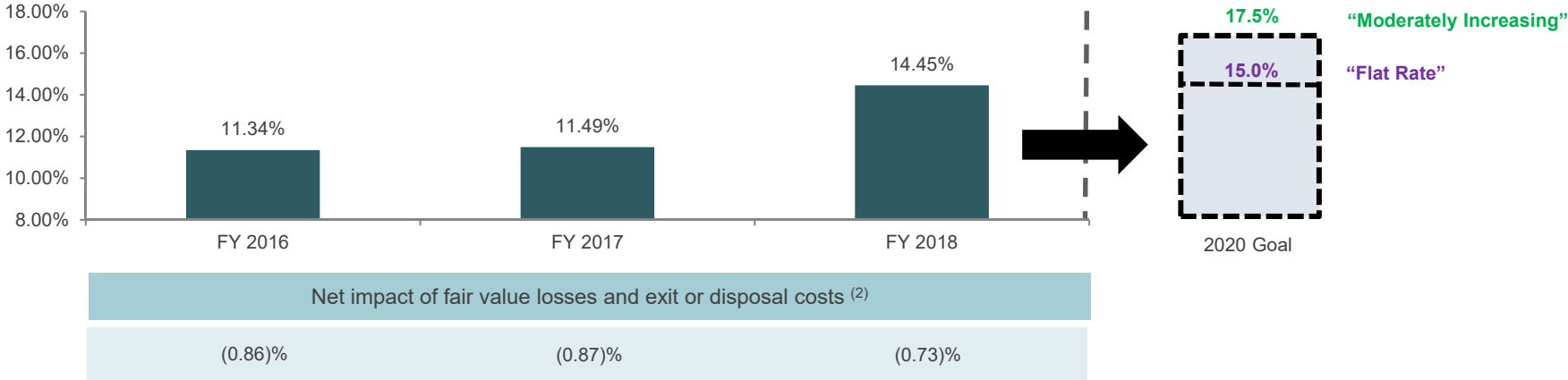


Forward-looking Statements

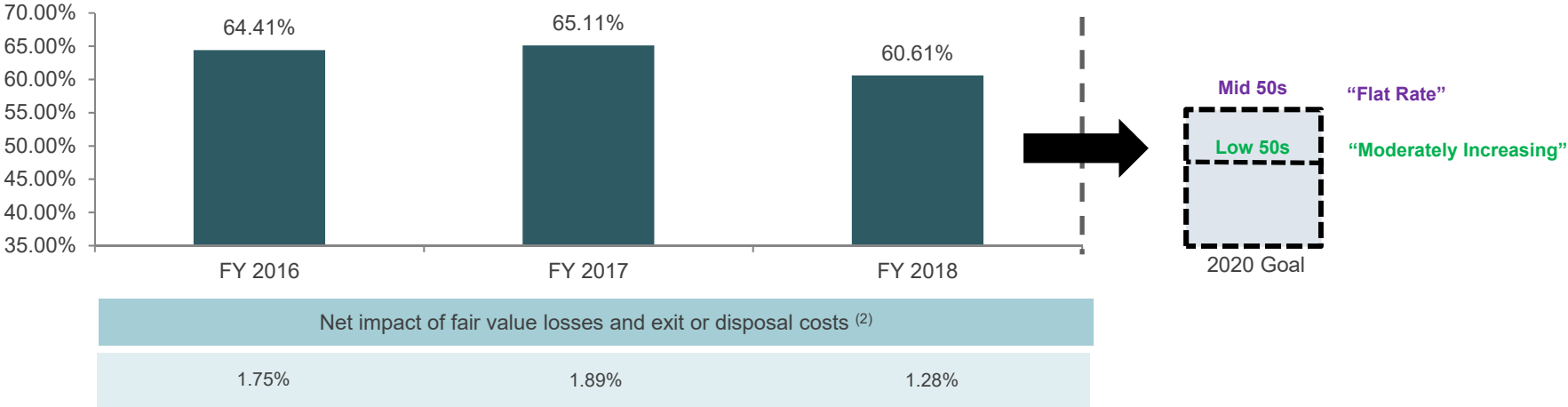
This presentation includes forward-looking statements within the meaning of the “Safe-Harbor” provisions of the Private Securities Litigation Reform Act of 1995, which management believes are a benefit to shareholders. These statements are necessarily subject to risk and uncertainty and actual results 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 corporate initiatives and the related savings and restructuring charges and financial goals, store consolidations and facilities optimization and related costs and savings. 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; the effect of interest rate increases on the cost of deposits; 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 and operational excellence initiatives on time and in amounts projected; our ability to successfully develop and market new products and technology; and changes in laws or regulations.

Umpqua Next Gen: Good Progress Toward Financial Goals

Return on Average Tangible Common Equity



Efficiency Ratio



> (1) Financial goals as presented under two different rate scenarios laid out in the 2Q 2018 earnings call slide presentation on July 19, 2018.
 > (2) Impact from fair value gains or losses and exit or disposal goals were excluded from the calculation of financial goals presented in mid-2017, and subsequently updated in April 2018. See appendix of this presentation for further information.



Full Year 2018 Highlights (compared to 2017)

- Net earnings available to common shareholders of \$316.2 million, or \$1.43 per diluted common share, up 30% from prior year
- Gross loan and lease growth of \$1.4 billion, or 7%
- Deposit growth of \$1.2 billion, or 6%
- Net interest income increased by \$73.0 million, driven primarily by higher average balances of loans and leases, along with a 10 basis point increase in net interest margin
- Provision for loan and lease losses increased by \$8.7 million primarily due to loan and lease growth and higher net charge-offs
- Non-interest income increased by \$0.9 million, reflecting higher levels of other fee income, the gain related to Pivotal, Inc. and the net loss on junior subordinated debentures carried at fair value no longer being recognized in earnings, partially offset by lower net mortgage banking revenue and lower portfolio loan sale gains
- Non-interest expense decreased by \$8.4 million, driven primarily by lower salaries and benefits expense and lower merger-related expense, partially offset by higher services expense
- Paid dividends of \$0.82 per common share (versus \$0.68 per share in the prior year) and repurchased 327,000 shares of stock
- Book value increased by 2%, or \$0.39 per common share, and tangible book value⁽¹⁾ increased by 4%, or \$0.42 per common share

Q4 2018 Highlights (compared to Q3 2018)

- Net earnings available to common shareholders of \$80.3 million, or \$0.36 per diluted common share
- Gross loan and lease growth of \$568.6 million, or 11% annualized
- Deposit growth of \$244.7 million, or 5% annualized
- Net interest income increased by \$6.0 million, attributable to higher average balances of loans and leases, along with an increase in average yields on loans and leases and a lower level of premium amortization on the investment securities portfolio, partially offset by higher funding costs
- Provision for loan and lease losses increased by \$5.5 million, driven primarily by the strong loan and lease growth during the quarter and a seven basis point increase in net charge-offs to 0.32% of average loans and leases (annualized)
- Non-interest income decreased by \$15.6 million, reflecting the linked quarter declines in the fair value of the MSR asset and debt capital market swap derivatives, partially offset by the gain related to Pivotus, Inc.
- Non-interest expense decreased by \$0.8 million, driven primarily by lower salaries and benefits and FDIC assessments, partially offset by higher other expense and loss on other real estate owned
- Non-performing assets to total assets decreased by one basis point to 0.36%
- Estimated total risk-based capital ratio of 13.4% and estimated Tier 1 common to risk weighted assets ratio of 10.7%
- Declared quarterly cash dividend of \$0.21 per common share

Selected Ratios

		For the year ended		For the quarter ended				
		FY 2018	FY 2017	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Performance	Return on average assets	1.21%	0.97%	1.19%	1.36%	1.02%	1.25%	1.17%
	Return on average tangible assets	1.30%	1.04%	1.28%	1.46%	1.09%	1.35%	1.26%
	Return on average common equity	7.90%	6.17%	7.90%	9.00%	6.64%	8.06%	7.54%
	Return on average tangible common equity	14.45%	11.49%	14.34%	16.42%	12.18%	14.84%	13.93%
	Efficiency ratio - consolidated	60.61%	65.11%	58.58%	57.06%	65.84%	61.21%	65.46%
	Net interest margin - consolidated	4.04%	3.94%	4.15%	4.09%	3.89%	4.00%	3.93%
Credit Quality	Non-performing loans and leases to loans and leases	0.43%	0.43%	0.43%	0.44%	0.40%	0.37%	0.43%
	Non-performing assets to total assets	0.36%	0.37%	0.36%	0.37%	0.34%	0.33%	0.37%
	Net charge-offs to average loans and leases (annualized)	0.26%	0.22%	0.32%	0.25%	0.22%	0.26%	0.25%
Capital	Tangible common equity to tangible assets ⁽¹⁾	8.93%	9.02%	8.93%	8.83%	8.78%	8.97%	9.02%
	Tier 1 common to risk-weighted asset ratio ⁽²⁾	10.7%	11.1%	10.7%	10.8%	10.7%	11.0%	11.1%
	Total risk-based capital ratio ⁽²⁾	13.4%	14.1%	13.4%	13.7%	13.5%	13.9%	14.1%

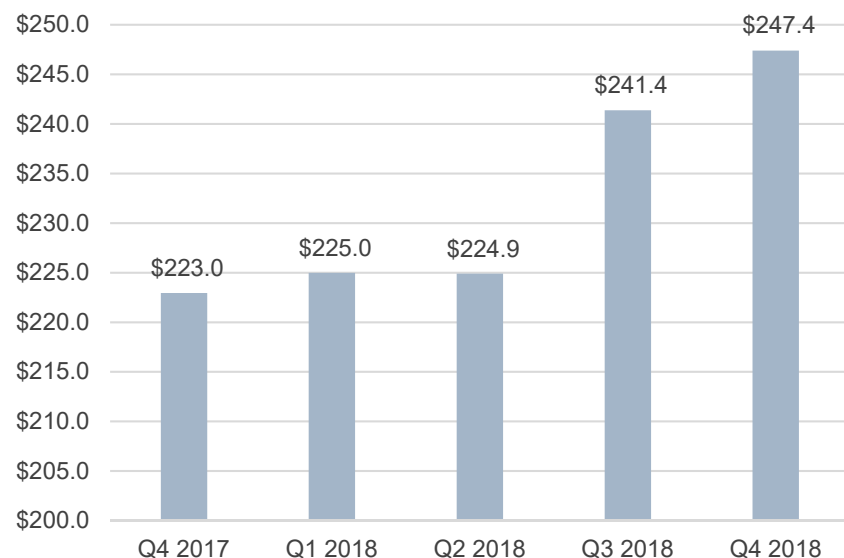
- > (1) Non-GAAP financial measure. A reconciliation to the comparable GAAP measurement is provided at the end of this slide presentation.
- > (2) Capital ratio estimated for current quarter, pending completion and filing of regulatory reports.

Summary Income Statement

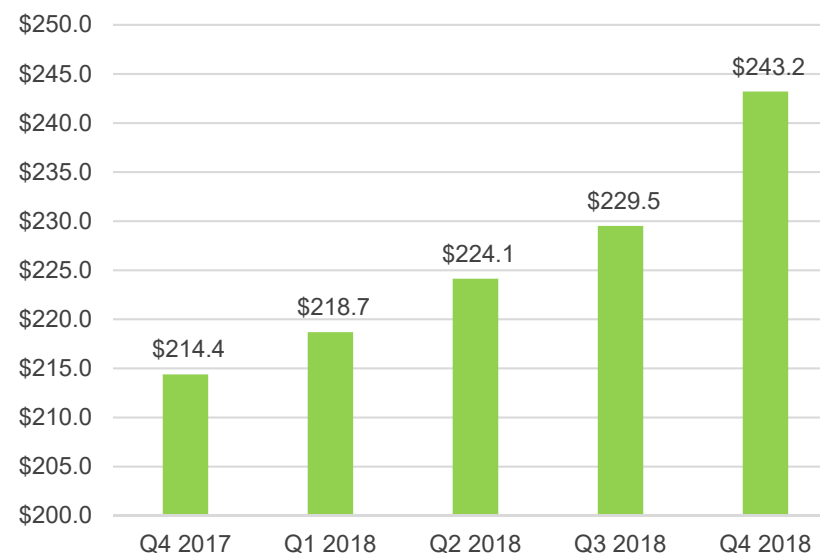
(\$ in millions except per share data)	Year Ended		Quarter ended		
	FY 2018	FY 2017	Q4 2018	Q3 2018	Q4 2017
Net interest income before provision	\$ 938.6	\$ 865.7	\$ 247.4	\$ 241.4	\$ 223.0
Provision for loan and lease losses	55.9	47.3	17.2	11.7	12.9
Net interest income after provision	882.7	818.4	230.2	229.7	210.0
Non-interest income	279.4	278.5	56.8	72.4	70.5
Non-interest expense	739.5	747.9	178.5	179.3	192.8
Income before provision for income taxes	422.7	349.0	108.5	122.8	87.7
Provision for income taxes	106.4	106.7	28.2	31.8	12.4
Net income	316.3	242.3	80.3	91.0	75.3
Dividends and undistributed earnings allocated to participating securities	0.0	0.1	0.0	0.0	0.0
Net earnings available to common shareholders	\$ 316.2	\$ 242.3	\$ 80.3	\$ 91.0	\$ 75.2
Earnings per share - diluted	\$1.43	\$1.10	\$0.36	\$0.41	\$0.34

Net Interest Income

(in millions) **Reported Net Interest Income**



(in millions) **Base Net Interest Income**



(in millions)

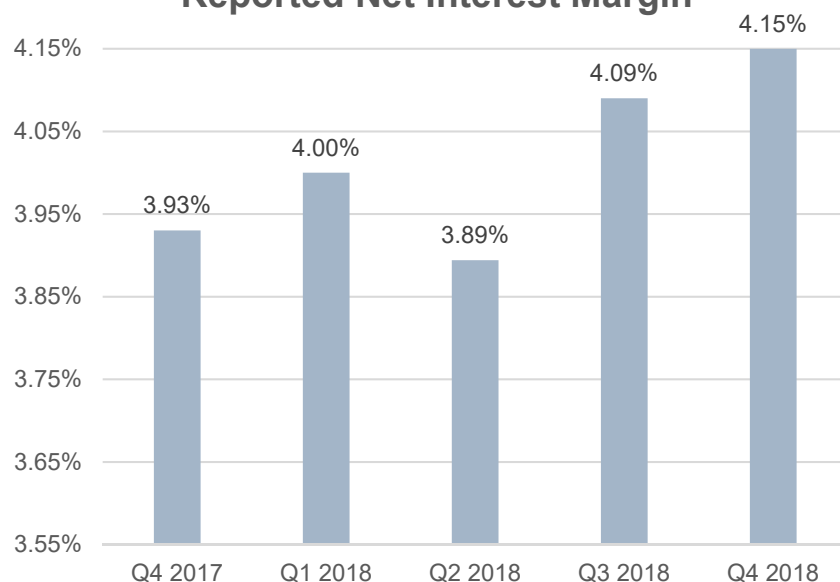
	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Reported Net Interest Income	\$ 223.0	\$ 225.0	\$ 224.9	\$ 241.4	\$ 247.4
Impact from Change in Accounting Methodology ⁽¹⁾	-	-	(7.2)	7.0	-
Accretion Related to Acquired Loans	8.6	6.3	7.9	4.9	4.2
Base Net Interest Income	\$ 214.4	\$ 218.7	\$ 224.1	\$ 229.5	\$ 243.2

> (1) Impact from change in accounting methodology on the interest income method for residential mortgage-backed securities and collateralized mortgage obligations. Refer to notable items in prior earnings releases for more information.

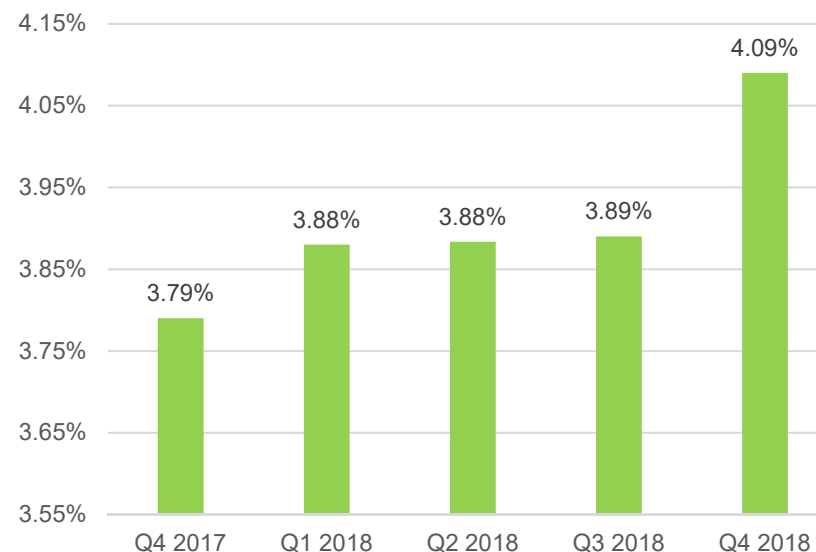
> Note: tables may not foot due to rounding.

Net Interest Margin

Reported Net Interest Margin



Base Net Interest Margin



	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Reported Net Interest Margin	3.93%	4.00%	3.89%	4.09%	4.15%
Impact from Change in Accounting Methodology ⁽¹⁾	-	-	-0.13%	0.12%	-
Accretion Related to Acquired Loans	0.14%	0.12%	0.14%	0.08%	0.06%
Base Net Interest Margin	3.79%	3.88%	3.88%	3.89%	4.09%

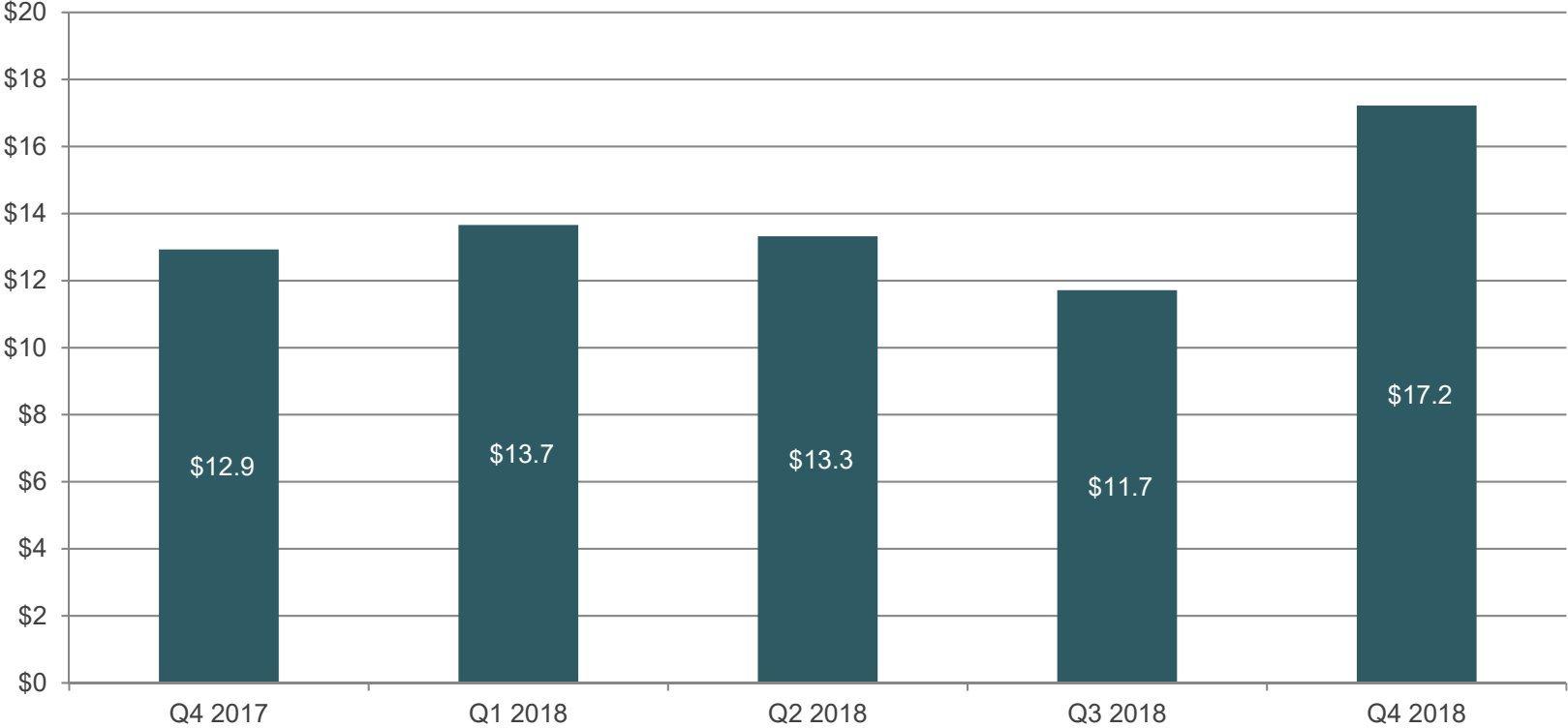
> (1) Impact from change in accounting methodology on the interest income method for residential mortgage-backed securities and collateralized mortgage obligations. Refer to notable items in prior earnings releases for more information.

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Provision for Loan and Lease Losses

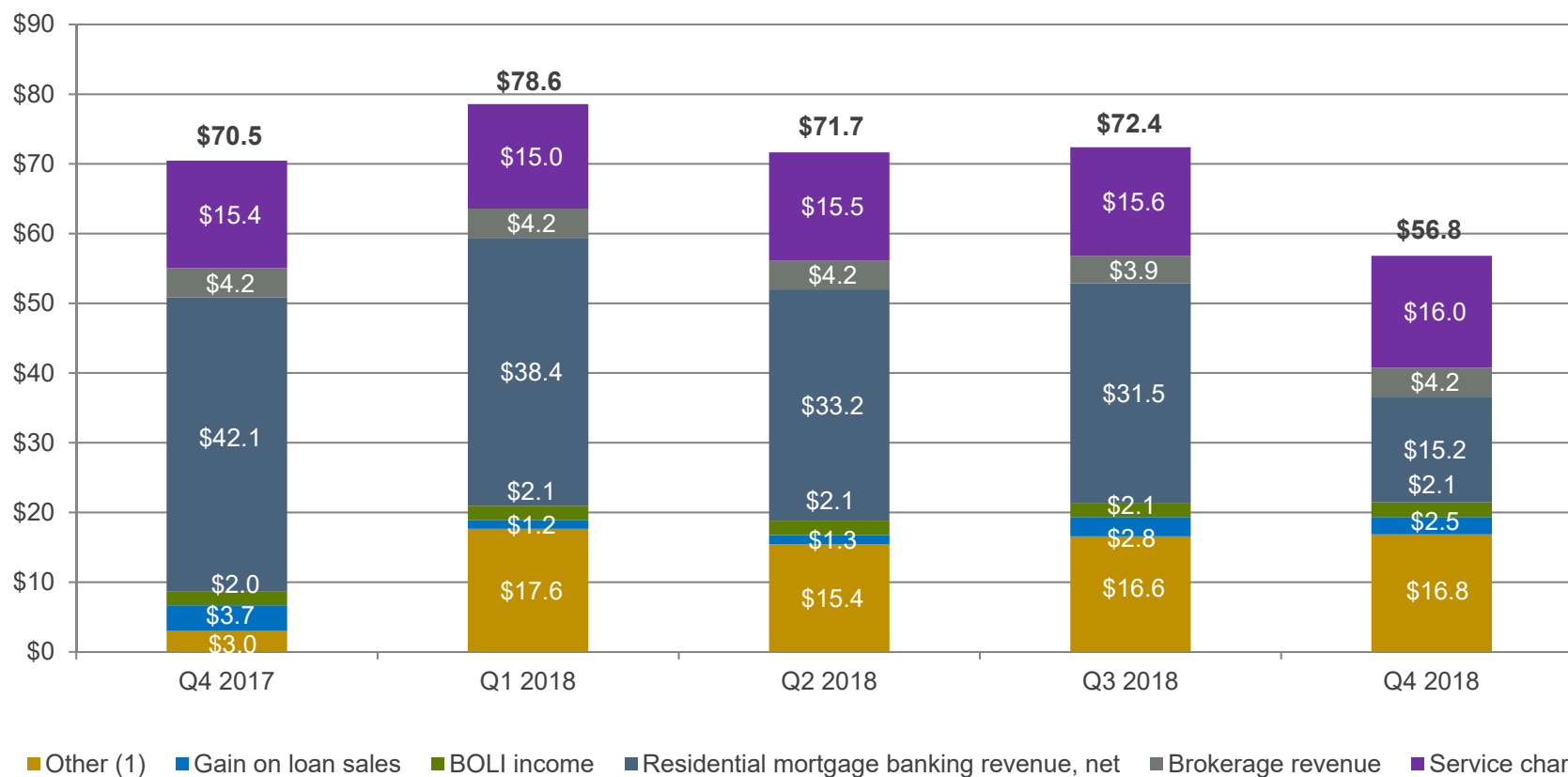
(in millions)

Provision for Loan and Lease Losses



Non-interest Income

(in millions)



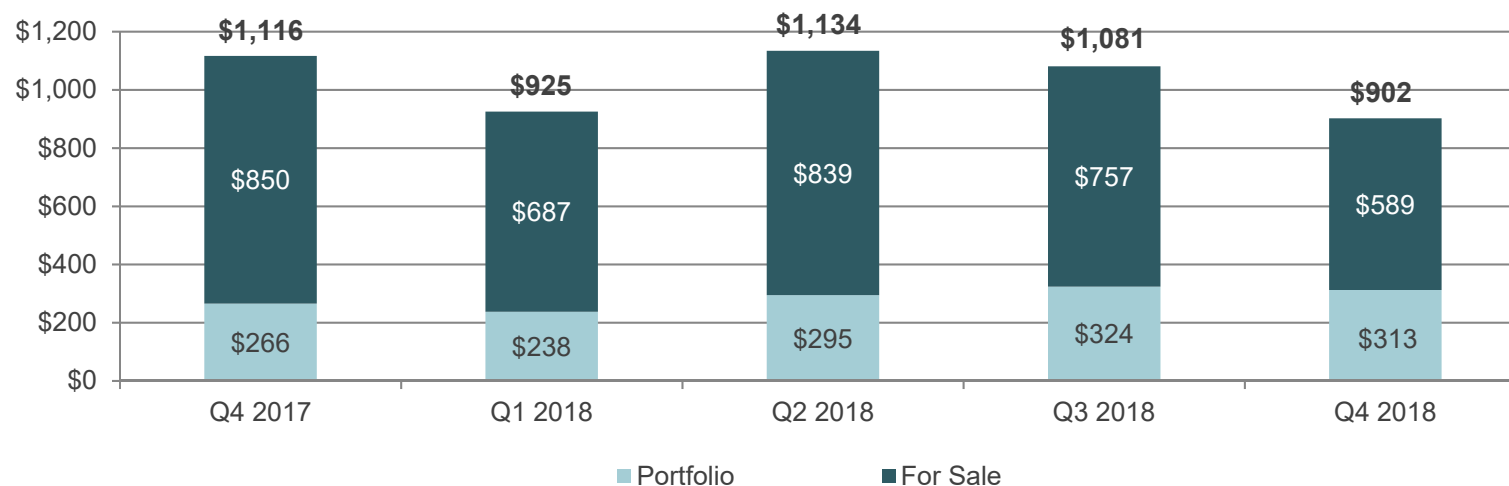
> (1) Includes other income, gains or losses on investment securities, unrealized holding losses on equity securities not held for trading, and losses on junior subordinated debentures carried at fair value.

> Note: tables may not foot due to rounding.

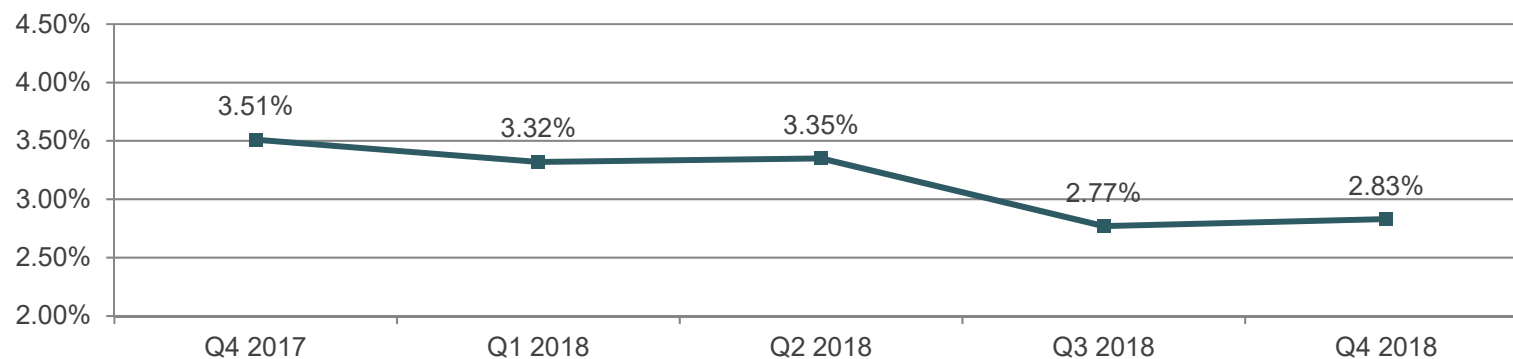
Mortgage Banking

(in millions)

Closed mortgage volume

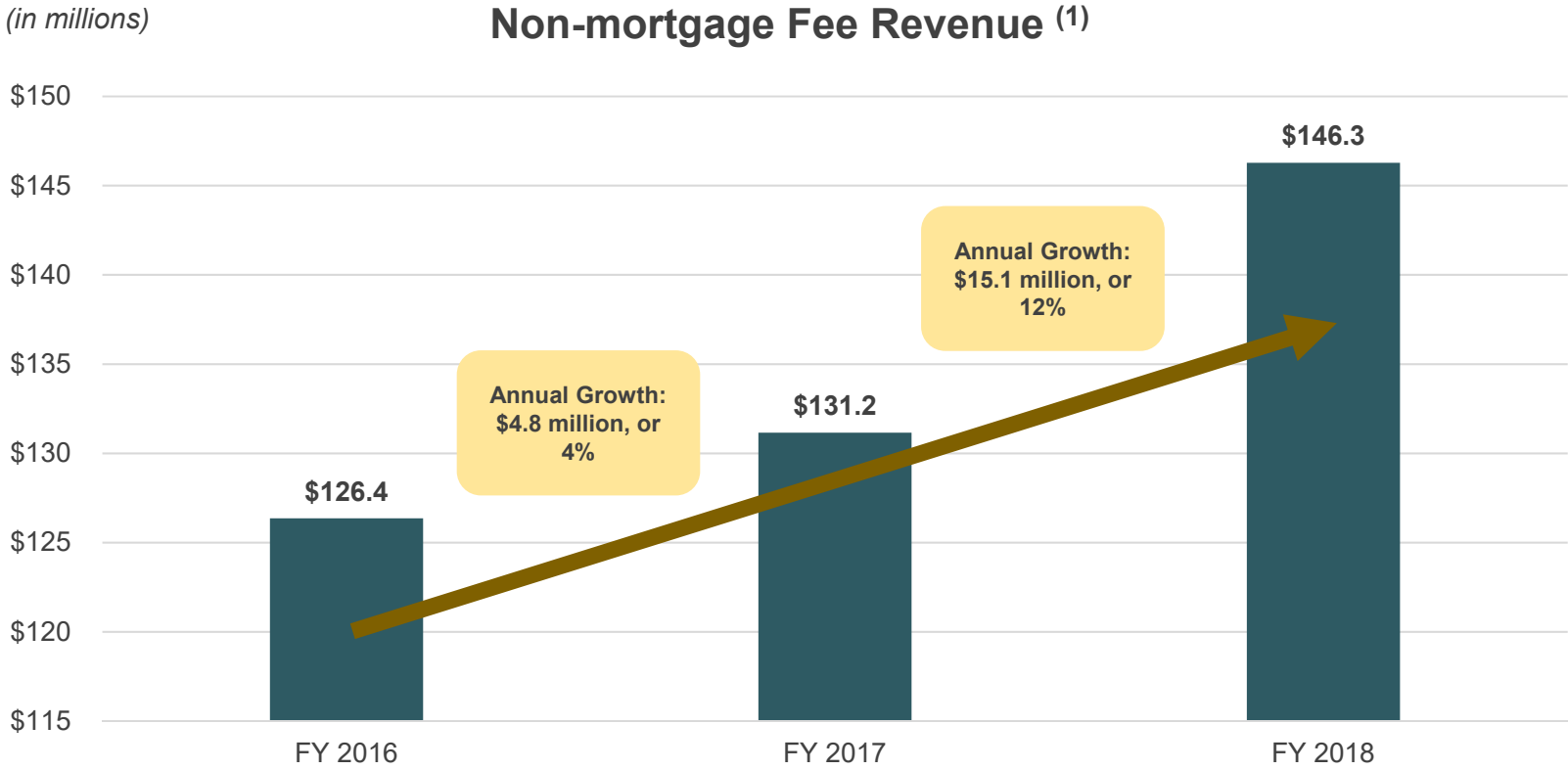


Gain on sale margin



> Note: tables may not foot due to rounding.

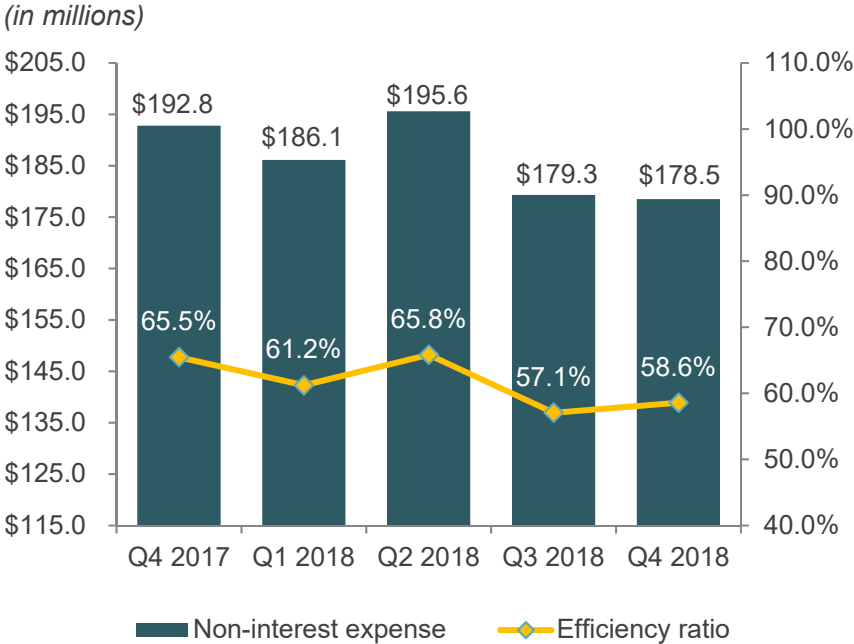
Non-Mortgage Fee Growth



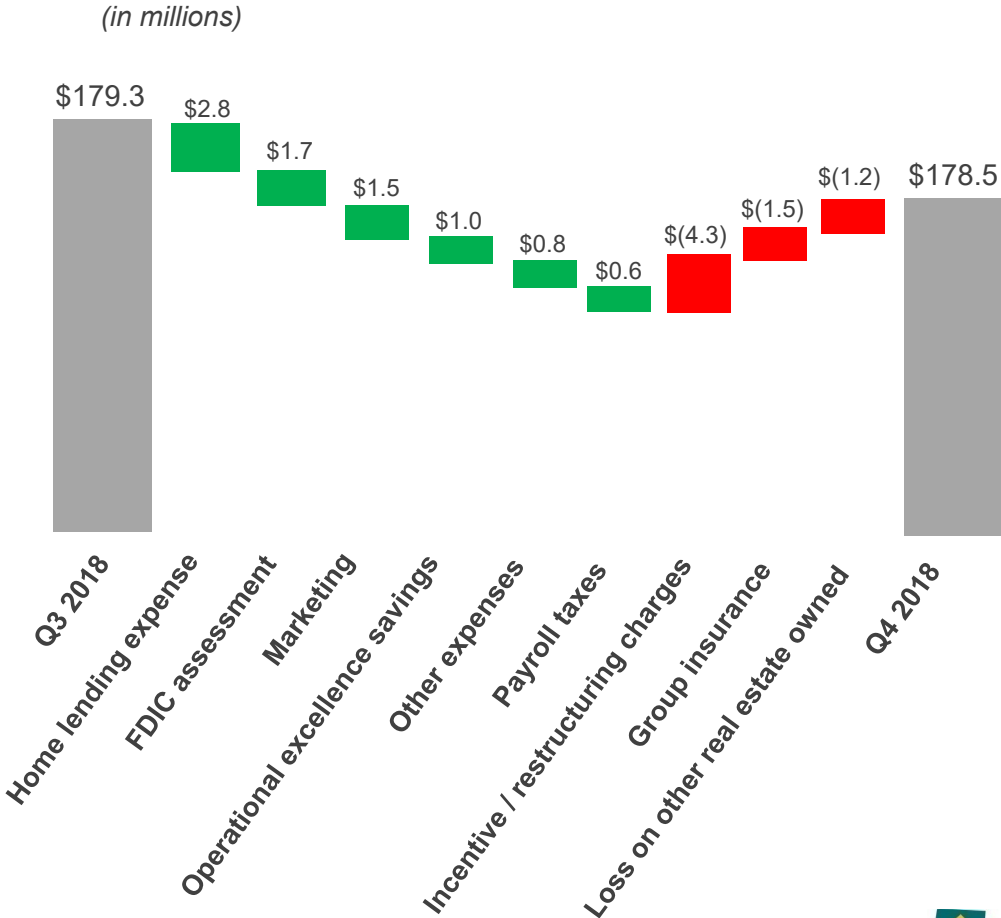
> (1) Non-mortgage fee revenue includes non-interest income generated from the Wholesale, Retail Bank, and Wealth Management divisions, excluding fair value gains or losses and gains from portfolio loan sales.

Non-interest Expense

Non-interest Expense and Efficiency Ratio



Non-interest Expense Bridge



Umpqua Next Gen: Operational Excellence

	Key Initiative	Progress Achieved
Store Consolidations	<ul style="list-style-type: none"> ❑ Continue to rationalize store network ❑ \$0.4 million in annual savings per store, with 35% of savings re-invested in human digital initiatives 	<ul style="list-style-type: none"> ❑ 36 stores consolidated and 1 sold since Q3 2017 ❑ 15 stores to be consolidated and 4 to be sold during Q1 2019
Phase I – Back Office (1)	<ul style="list-style-type: none"> ❑ ~\$18 - \$24 million in annual savings by mid-2019 ❑ \$4 million in professional fees for Q4 2018, with \$1 million of that relating to commercial end-to-end journey re-design (Phase II) 	<ul style="list-style-type: none"> ❑ ~\$16 million (annualized) in expense savings embedded in Q4 2018 run-rate ❑ ~\$6 - \$8 million (annualized) in incremental expense savings phased in over first half of 2019
Phase II – Back Office (2)	<ul style="list-style-type: none"> ❑ ~\$6 - \$12 million in net annual run-rate savings by end of 2019 ❑ ~\$2 - \$3 million in professional fees for Q1 2019 ❑ Additional costs to achieve net savings to be determined 	<ul style="list-style-type: none"> ❑ Commercial loan end-to-end journey re-design started Q3 2018, to be completed Q1 2019 ❑ Consumer deposit origination end-to-end journey re-design started January 2019

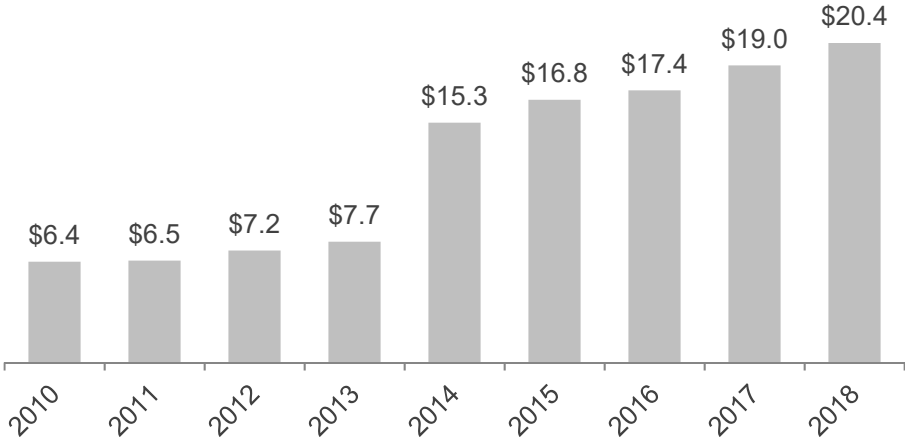
Selected Balance Sheet

<i>(\$ in millions)</i>	Q4 2018	Q3 2018	Q4 2017
Total assets	\$ 26,939.8	\$ 26,615.1	\$ 25,680.4
Interest bearing cash and temporary investments	287.2	570.3	303.4
Investment securities available for sale, fair value	2,977.1	2,864.4	3,065.8
Loans and leases, gross	20,422.7	19,854.0	19,019.2
Allowance for loan and lease losses	(144.9)	(144.0)	(140.6)
Goodwill and other intangibles, net	1,811.6	1,813.2	1,817.8
Deposits	21,137.5	20,892.8	19,948.3
Securities sold under agreements to repurchase	297.2	287.0	294.3
Term debt	751.8	751.8	802.4
Total shareholders' equity	4,056.4	4,003.9	3,969.4
<u>Ratios:</u>			
Loan to deposit ratio	96.6%	95.0%	95.3%
Book value per common share	\$18.42	\$18.18	\$18.03
Tangible book value per common share ⁽¹⁾	\$10.19	\$9.95	\$9.77
Tangible common equity to tangible assets ⁽¹⁾	8.93%	8.83%	9.02%

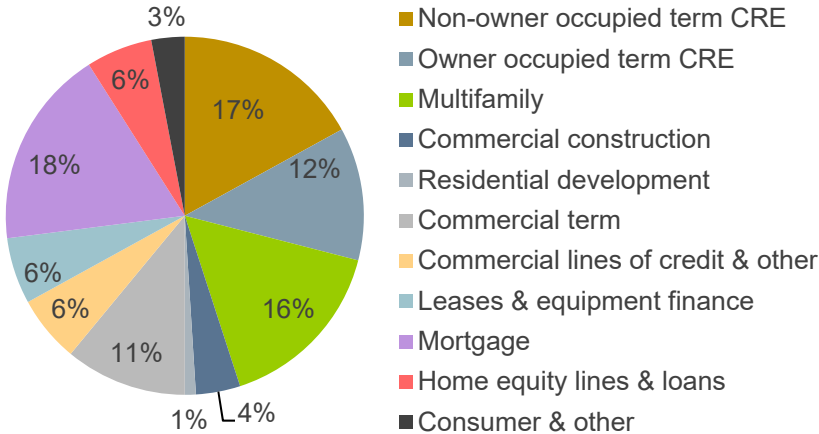
Loan and Deposit Growth

(in billions)

Loans and Leases (Gross)

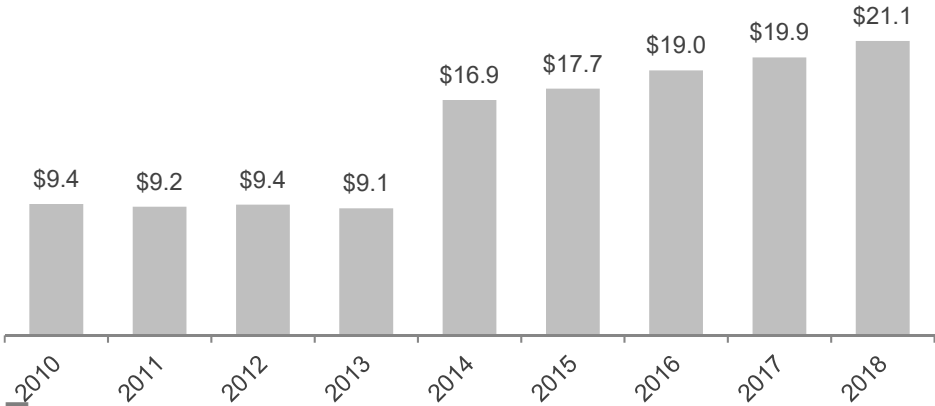


As of Dec 31, 2018

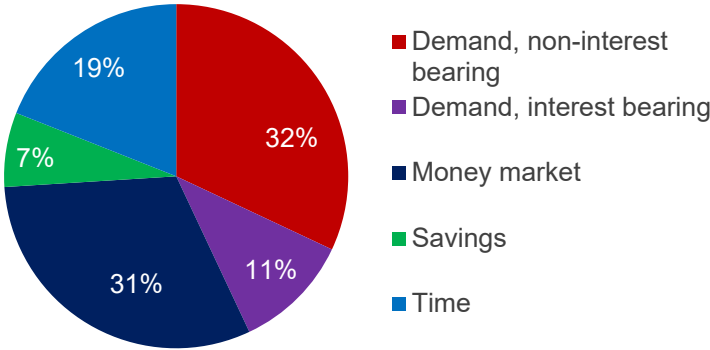


(in billions)

Total Deposits

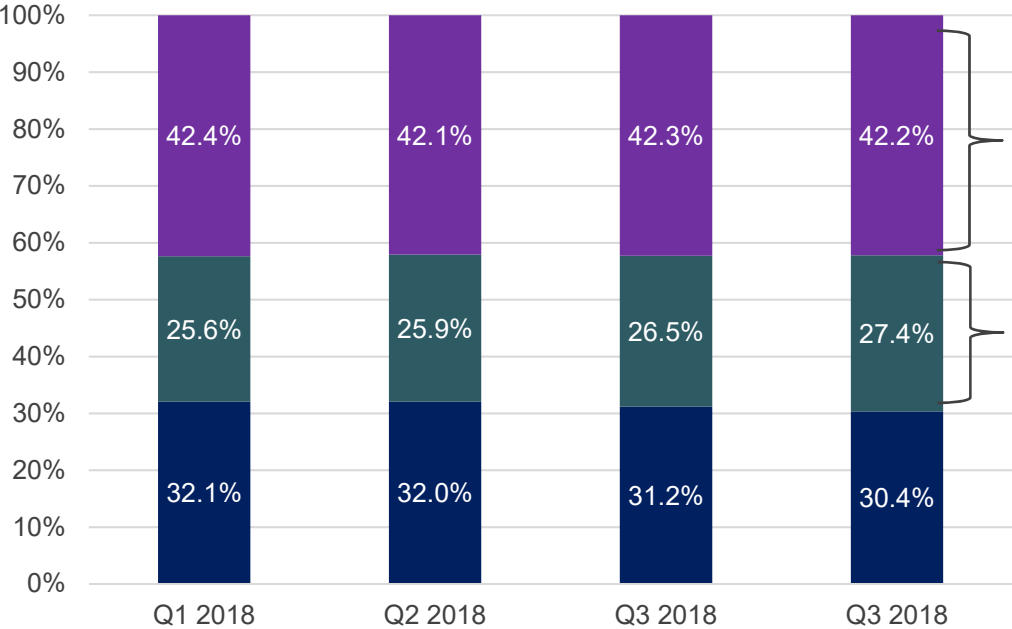


As of Dec 31, 2018



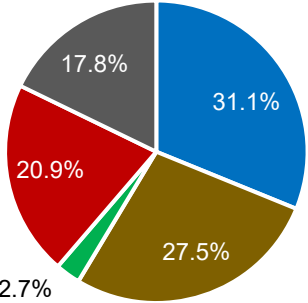
Loan and Lease Portfolio Repricing Schedule

Loan and Lease Portfolio (1)



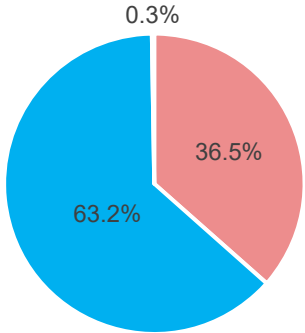
■ Fixed Rate ■ Floating Rate (monthly repricing) ■ Adjustable (> 1 month repricing)

Adjustable Rate Breakout – Q4 2018 (1)



■ Libor 6 Month ■ Libor 12 Month ■ 3 Year ■ 5 Year ■ Other

Floating Rate Breakout – Q4 2018 (1)



■ Prime ■ Libor 1 Month ■ Other

> (1) Includes loans available for sale.
 > Note: totals may not foot due to rounding.

Loan and Lease Portfolio Characteristics

Mortgage

- Represents 18% of overall portfolio
- Total delinquencies of 0.97%
- De minimis annualized net charge-off rate
- Average loan size of \$431,000
- Average FICO of 761 and LTV of 65%

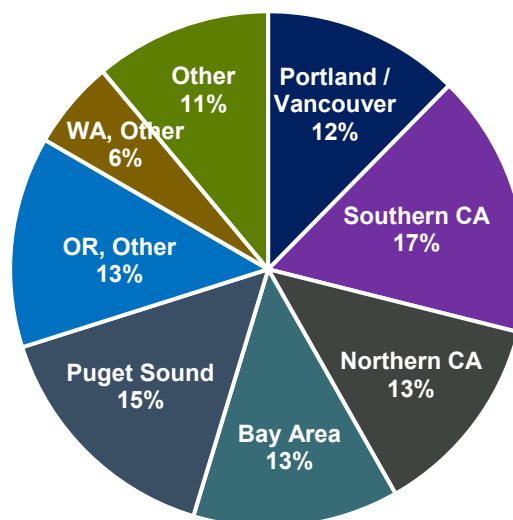
Non-owner Occupied CRE

- Represents 17% of overall portfolio
- Total delinquencies of 0.34%
- Annualized net charge-off rate of 0.04%
- Average loan size of \$1.4 million
- Average LTV of 60% and DSC of 1.8

Commercial & Industrial

- Represents 17% of overall portfolio
- Total delinquencies of 0.49%
- Annualized net charge-off rate of 0.16%
- Average loan size of \$345,000

Geographic Diversification



Owner Occupied CRE

- Represents 12% of overall portfolio
- Total delinquencies of 0.56%
- Annualized net charge-off rate of 1 bp
- Average loan size of \$765,000
- Average LTV of 63%

Multifamily

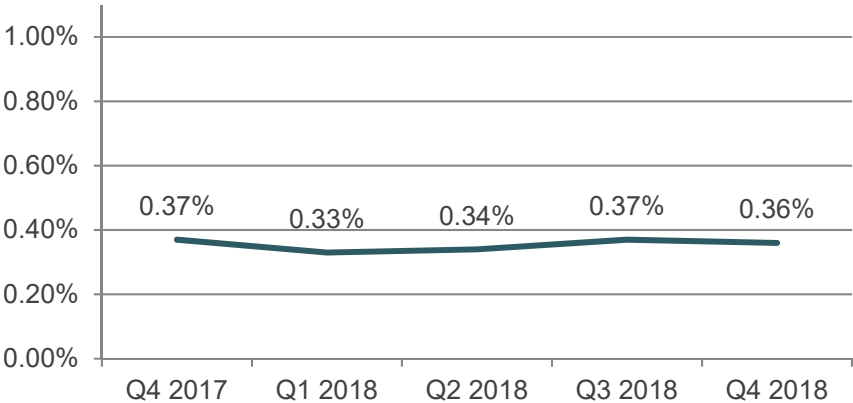
- Represents 16% of overall portfolio
- Total delinquencies of 0.13%
- Annualized net charge-off rate of 1 bp
- Average loan size of \$1.6 million
- Average LTV of 59% and DSC of 1.6

Lease & Equipment Finance

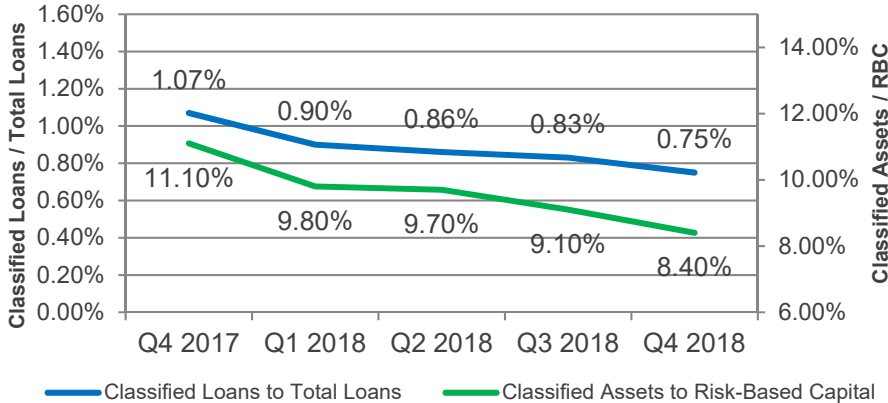
- Represents 6% of overall portfolio
- Total delinquencies of 2.57%
- Annualized net charge-off rate of 3.02%
- ~10.5% average yield
- Average loan size of \$35,000

Credit Quality

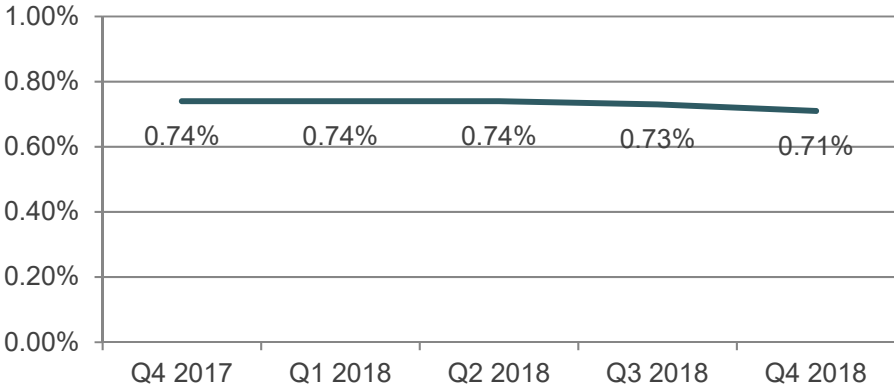
Non-performing assets to total assets



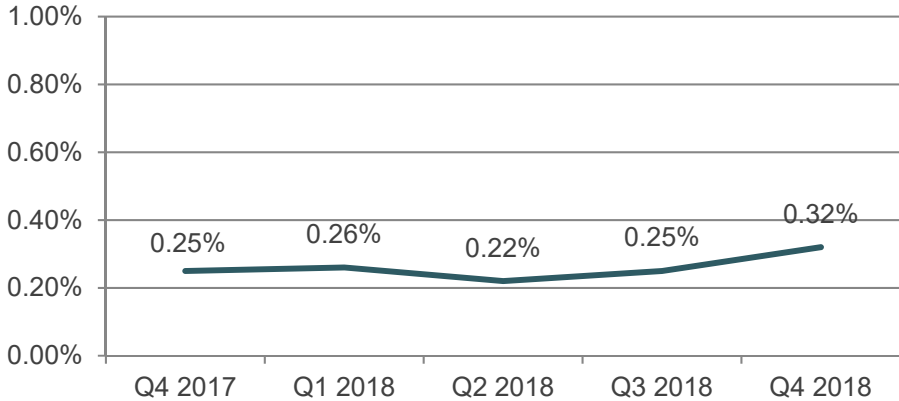
Classified Assets



Allowance for loan and lease losses to loans and leases

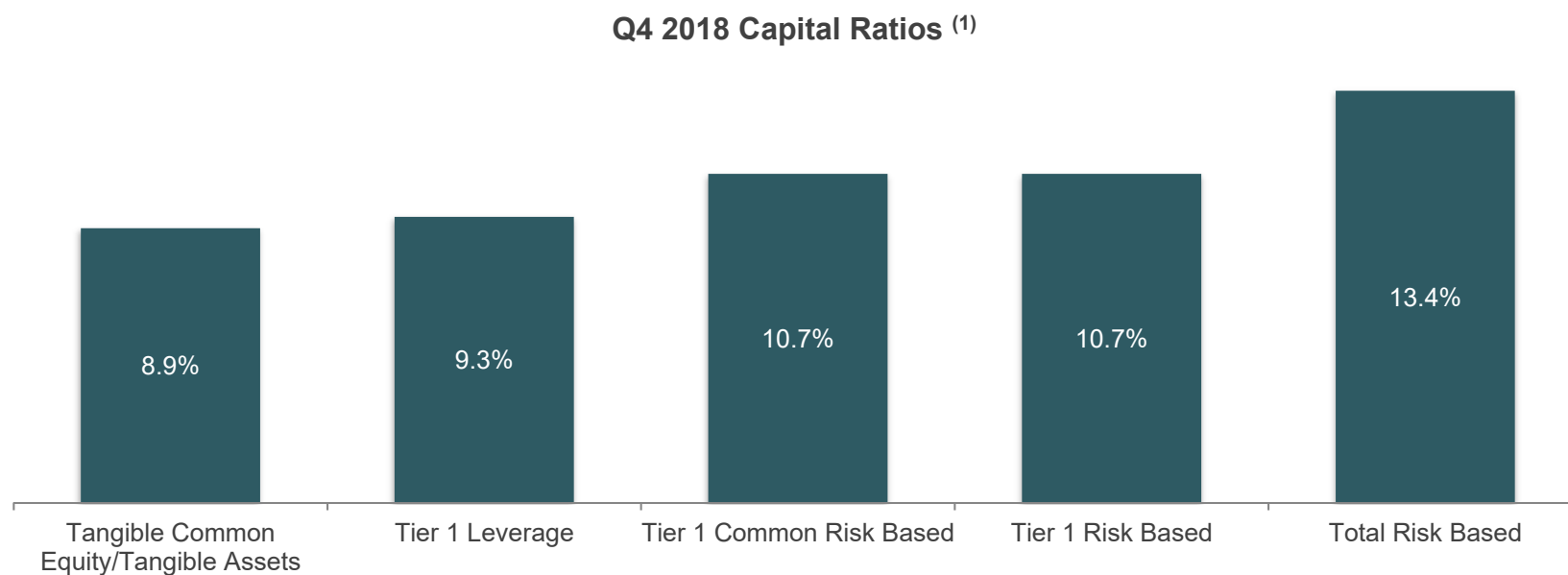


Net charge-offs to average loans and leases (annualized)



Capital Management

- > All regulatory capital ratios remained in excess of well-capitalized and internal policy limits
- > Focused on prudently managing capital
 - Declared quarterly dividend of \$0.21 per share, ~4.6% current dividend yield
 - Q4 total payout ratio of 58%



> ⁽¹⁾ Regulatory capital ratios are estimates pending completion and filing of the Company's regulatory reports.

Appendix – Non-GAAP Reconciliation

Non-GAAP Reconciliation – Tangible Book Value

(Dollars in thousands, except per share data)

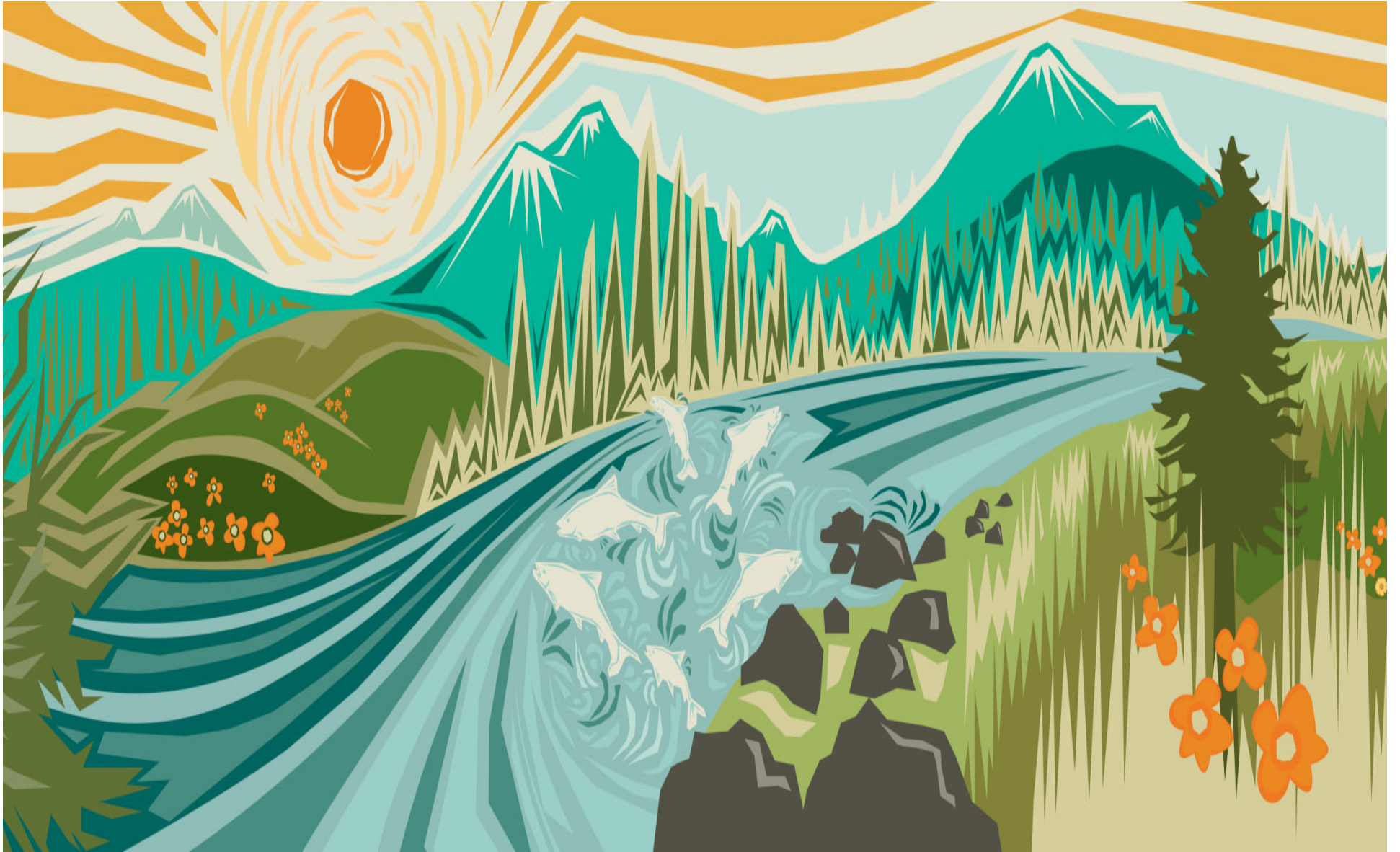
	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017
Total shareholders' equity	\$ 4,056,442	\$ 4,003,893	\$ 3,981,087	\$ 3,969,766	\$ 3,969,367
Subtract:					
Goodwill	1,787,651	1,787,651	1,787,651	1,787,651	1,787,651
Other intangible assets, net	23,964	25,506	27,047	28,589	30,130
Tangible common shareholders' equity	\$ 2,244,827	\$ 2,190,736	\$ 2,166,389	\$ 2,153,526	\$ 2,151,586
Total assets	\$ 26,939,781	\$ 26,615,067	\$ 26,480,601	\$ 25,816,401	\$ 25,680,447
Subtract:					
Goodwill	1,787,651	1,787,651	1,787,651	1,787,651	1,787,651
Other intangible assets, net	23,964	25,506	27,047	28,589	30,130
Tangible assets	\$ 25,128,166	\$ 24,801,910	\$ 24,665,903	\$ 24,000,161	\$ 23,862,666
Common shares outstanding at period end	220,255	220,238	220,205	220,461	220,149
Total shareholders' equity to total assets ratio	15.06%	15.04%	15.03%	15.38%	15.46%
Tangible common equity ratio	8.93%	8.83%	8.78%	8.97%	9.02%
Book value per common share	\$ 18.42	\$ 18.18	\$ 18.08	\$ 18.01	\$ 18.03
Tangible book value per common share	\$ 10.19	\$ 9.95	\$ 9.84	\$ 9.77	\$ 9.77

Impacts on ROATCE

<i>(\$ in millions)</i>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Net Income (a)	\$ 230.1	\$ 242.3	\$ 316.2
Average Tangible Common Equity (b)	2,028.3	2,108.3	2,187.9
ROATCE (a/b)	11.34%	11.49%	14.45%
<u>\$ impact ⁽¹⁾ from:</u>			
Exit or disposal costs	\$ 2.8	\$ 3.6	\$ 5.1
Loss (gain) on fair value of MSR asset	\$ (15.6)	\$ (14.0)	\$ (9.9)
Loss (gain) on fair value of debt capital market swap derivatives	\$ 0.9	\$ (0.9)	\$ (1.0)
<u>bps impact ⁽¹⁾ from:</u>			
Exit or disposal costs	-0.14%	-0.17%	-0.23%
Loss (gain) on fair value of MSR asset	-0.77%	-0.66%	-0.45%
Loss (gain) on fair value of debt capital market swap derivatives	0.04%	-0.04%	-0.05%
Total	-0.86%	-0.87%	-0.73%

Impacts on Efficiency Ratio

<i>(\$ in millions)</i>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Net interest income	\$ 838.1	\$ 865.7	\$ 938.6
Non interest income	\$ 301.7	\$ 278.5	\$ 279.4
Tax Equiv Adjustment	\$ 4.6	\$ 4.5	\$ 1.9
Total (a)	\$ 1,144.4	\$ 1,148.7	\$ 1,220.0
Non interest expense (b)	\$ 737.2	\$ 747.9	\$ 739.5
Efficiency ratio (b/a)	64.41%	65.11%	60.61%
<u>\$ impact from:</u>			
Exit or disposal costs	\$ 4.7	\$ 6.0	\$ 6.8
Loss (gain) on fair value of MSR asset	\$ (25.9)	\$ (23.3)	\$ (13.2)
Loss (gain) on fair value of debt capital market swap derivatives	\$ 1.5	\$ (1.5)	\$ (1.4)
<u>bps impact from:</u>			
Exit or disposal costs	0.41%	0.52%	0.56%
Loss (gain) on fair value of MSR asset	1.43%	1.29%	0.65%
Loss (gain) on fair value of debt capital market swap derivatives	-0.08%	0.08%	0.07%
Total	1.75%	1.89%	1.28%



Thank you

