# Umpqua Holdings Corporation

# 3rd Quarter 2019 Earnings Conference Call Presentation

**October 17, 2019**

Umpqua Holdings Corporation

# 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 press release we make forward-looking statements about strategic investments, fee income initiatives, MSR sales and strategic 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; 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 ability to effectively manage problem credits; our ability 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

## Balanced Growth

- $616 million, 11% annualized, of deposit growth during the quarter highlighted by growth in non-interest bearing balances of $352 million, or 21% annualized.
- $567 million, 11% annualized, of loan and lease growth during the quarter.
- Growth in treasury management revenue for commercial and corporate customers of 48% annualized

## Human Digital

- *Go To*, the industry's first human digital banking platform, launched in April now has 34,000 customers enrolled
- Umpqua Smart Leads, a predictive analytics tool serving commercial and corporate customers, is immediately assisting bankers in providing additional fee-based products to our customers.

## Operational Excellence

- Phase I initiatives are complete leading to lower non-interest expense.
- Total of 27 stores will be consolidated in 2019, brings total to 65 consolidations since Q3 2017.

**Non-Interest Expense**

# Q3 2019 Highlights (compared to Q2 2019)

- Net income of $84.5 million, or $0.38 per diluted common share
- Net interest income increased by $1.8 million on a quarter to quarter basis primarily driven by higher average balances of loans and leases along with a lower level of premium amortization for residential mortgage backed securities and collateralized mortgage obligations, partially offset by lower average yields on loans and leases;
- Provision for loan and lease losses increased by $3.9 million, due to an increase in net charge offs of $4.9 million and growth in the overall loan portfolio;
- Net charge-offs increased by eight basis points to 0.34% of average loans and leases (annualized);
- Non-interest income decreased by $33.3 million, driven primarily by the $75.4 million net gain recorded in the prior quarter from the sale of the Visa Class B stock and other debt securities, partially offset by an increase of $37.5 million in net residential mortgage banking revenue;
- Non-interest expense increased by $3.2 million, driven primarily by higher mortgage banking-related expenses, a $2.2 million year to date reclassification of swap collateral interest to other non-interest income, and higher legal fees, partially offset by seasonally lower payroll taxes and a lower loss on OREO;
- Non-performing assets to total assets improved to 0.25% from 0.28%;
- Estimated total risk-based capital ratio of 13.6% and estimated Tier 1 common to risk weighted assets ratio of 10.9%;
- Declared a quarterly cash dividend of $0.21 per common share.

# Selected Ratios

| | | For the quarter ended | | | | |
|---|---|---|---|---|---|---|
| | | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 |
| Performance | Return on average assets | 1.18% | 1.62% | 1.12% | 1.19% | 1.36% |
| | Return on average tangible assets | 1.26% | 1.73% | 1.20% | 1.28% | 1.46% |
| | Return on average common equity | 7.87% | 10.80% | 7.34% | 7.90% | 9.00% |
| | Return on average tangible common equity | 13.67% | 19.14% | 13.17% | 14.34% | 16.42% |
| | Efficiency ratio - consolidated | 57.76% | 51.64% | 60.44% | 58.58% | 57.06% |
| | Net interest margin - consolidated | 3.63% | 3.70% | 4.03% | 4.15% | 4.09% |
| Credit Quality | Non-performing loans and leases to loans and leases | 0.31% | 0.34% | 0.37% | 0.43% | 0.44% |
| | Non-performing assets to total assets | 0.25% | 0.28% | 0.32% | 0.36% | 0.37% |
| | Net charge-offs to average loans and leases (annualized) | 0.34% | 0.26% | 0.27% | 0.32% | 0.25% |
| Capital | Tangible common equity to tangible assets (1) | 9.15% | 9.24% | 9.01% | 8.93% | 8.83% |
| | Tier 1 common to risk-weighted asset ratio (2) | 10.9% | 11.0% | 10.8% | 10.7% | 10.8% |
| | Total risk-based capital ratio (2) | 13.6% | 13.7% | 13.6% | 13.5% | 13.6% |

(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

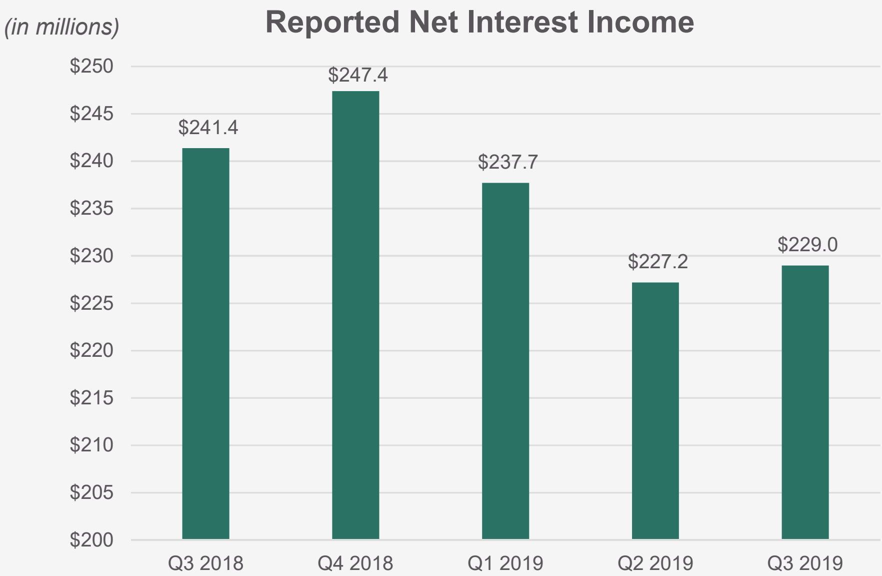
*(in millions)*

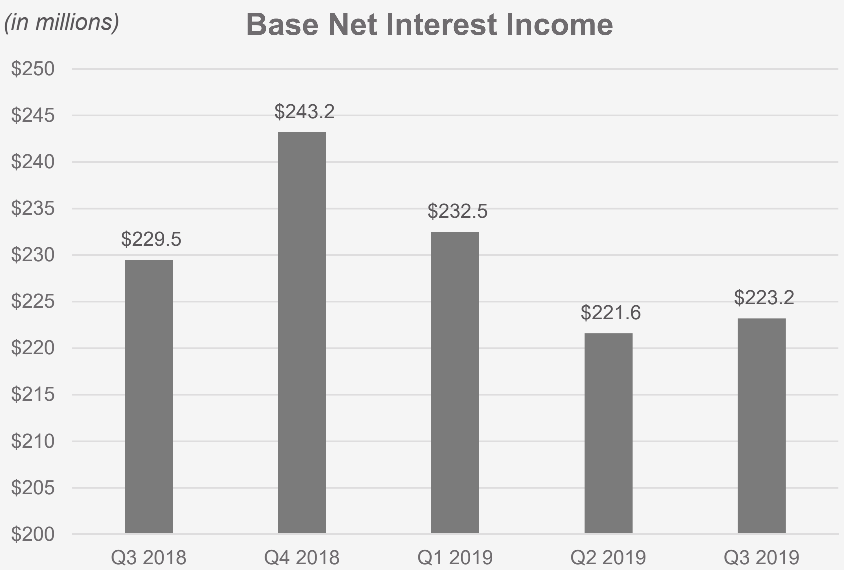
| | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 |
|---|---|---|---|---|---|
| Net interest income before provision | $229.0 | $227.2 | $237.7 | $247.4 | $241.4 |
| Provision for loan and lease losses | 23.2 | 19.4 | 13.7 | 17.2 | 11.7 |
| Net interest income after provision | **205.7** | **207.8** | **224.0** | **230.2** | **229.7** |
| | | | | | |
| Non-interest income | 88.5 | 121.8 | 45.7 | 56.8 | 72.4 |
| Non-interest expense | 183.6 | 180.4 | 171.6 | 178.5 | 179.3 |
| Income before provision for income taxes | **110.7** | **149.2** | **98.1** | **108.5** | **122.8** |
| | | | | | |
| Provision for income taxes | 26.2 | 37.4 | 24.1 | 28.2 | 31.8 |
| **Net income** | **$84.5** | **$111.8** | **$74.0** | **$80.3** | **$91.0** |
| **Earnings Per Share** | **$0.38** | **$0.51** | **$0.34** | **$0.36** | **$0.41** |



Note: tables may not foot due to rounding.

# Net Interest Income

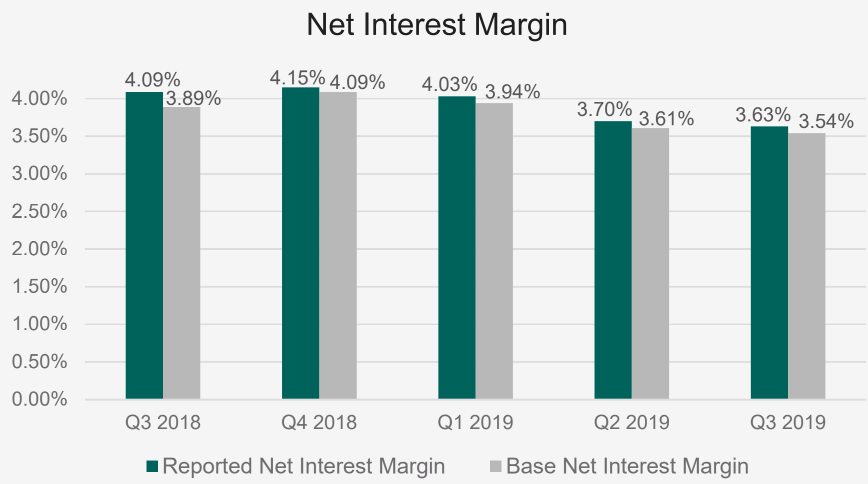



| | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 |
|---|---|---|---|---|---|
| **Reported Net Interest Income** | **$ 241.4** | **$ 247.4** | **$ 237.7** | **$ 227.2** | **$ 229.0** |
| Impact from Change in Accounting Methodology [(1)] | (7.0) | - | - | - | - |
| Accretion Related to Acquired Loans | (4.9) | (4.2) | (5.2) | (5.6) | (5.8) |
| **Base Net Interest Income** | **$ 229.5** | **$ 243.2** | **$ 232.5** | **$ 221.6** | **$ 223.2** |

(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 earning releases for more information.
Note: tables may not foot due to rounding.

# Net Interest Margin



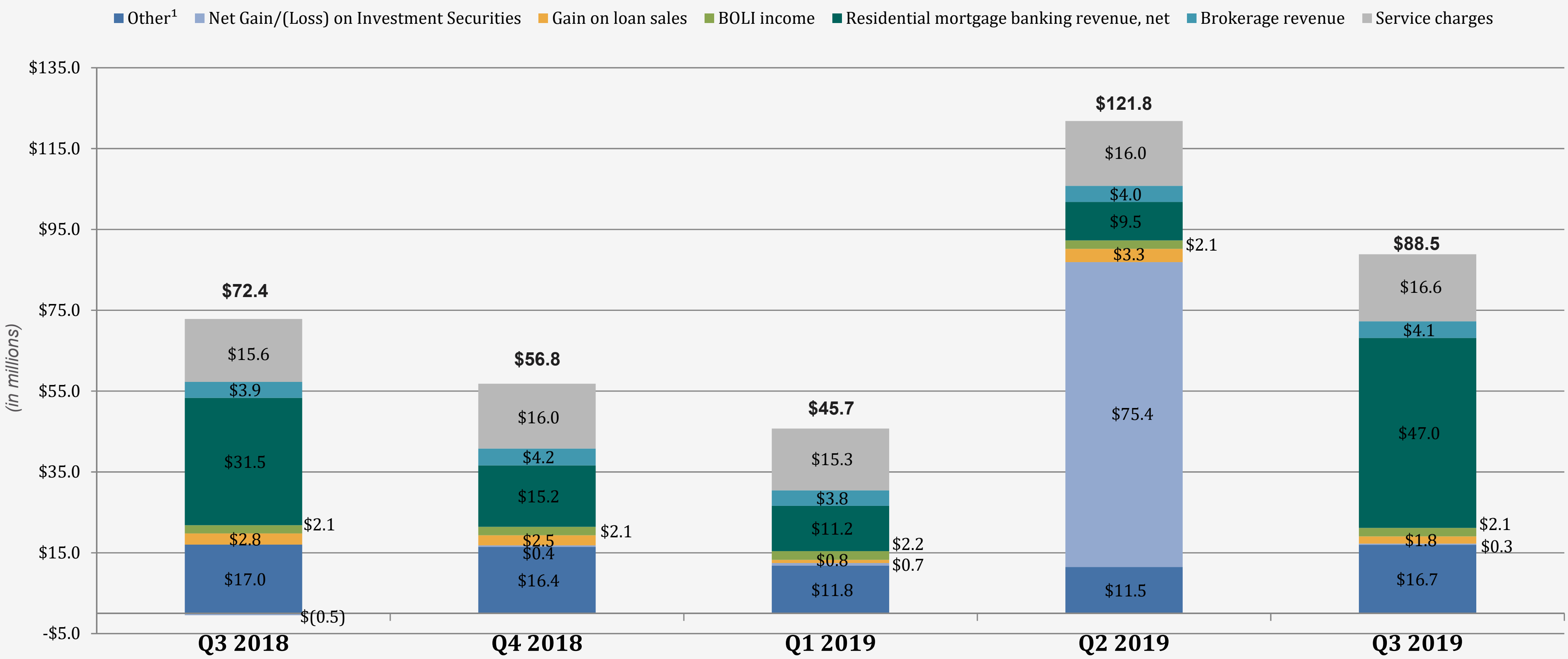

| | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 |
|---|---|---|---|---|---|
| **Reported Net Interest Margin** | **4.09%** | **4.15%** | **4.03%** | **3.70%** | **3.63%** |
| Impact from Change in Accounting Methodology[1] | (0.12)% | | | | |
| Accretion Related to Acquired Loans | (0.08)% | (0.06)% | (0.09)% | (0.09)% | (0.09)% |
| **Base Net Interest Margin** | **3.89%** | **4.09%** | **3.94%** | **3.61%** | **3.54%** |

## NIM – MBS & CMO Premium Amortization & Recapture Details

| | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 |
|---|---|---|---|---|---|
| MBS & CMO Premium in $ millions (Amortization)/Recapture | $3.3mm | $6.1mm | ($1.6mm) | ($10.4mm) | ($6.6mm) |
| Net NIM Impact in basis points Accretive/(Dilutive) | 0.06% | 0.10% | (0.03)% | (0.17)% | (0.11)% |

(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 earning releases for more information.
Note: tables may not foot due to rounding.

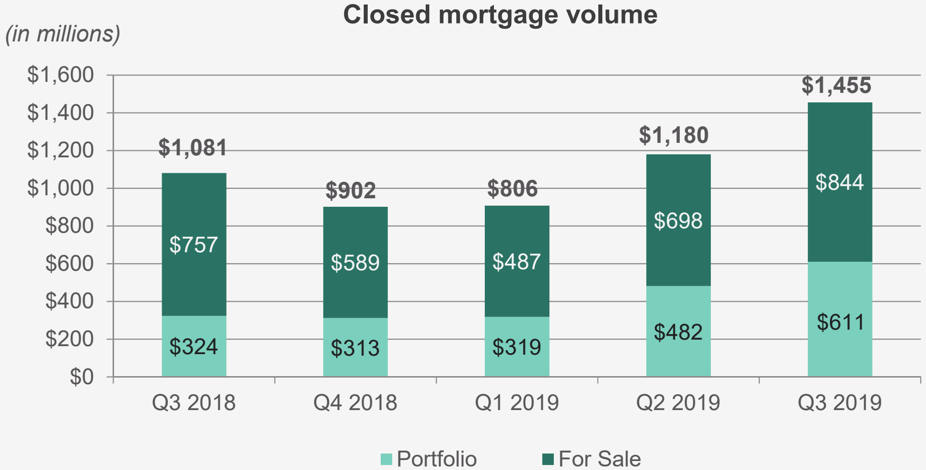
# Non-Interest Income






Note: tables may not foot due to rounding. (1) Other includes swap revenue, international banking revenue, SBA servicing income, commercial card revenue, etc.

# Mortgage Banking





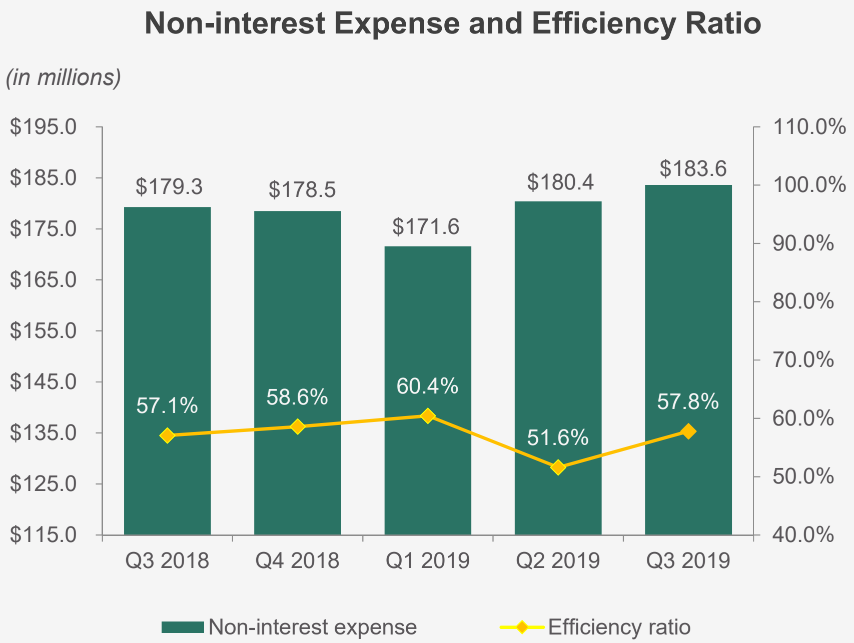
**Residential mortgage banking revenue summary** *(in millions)*

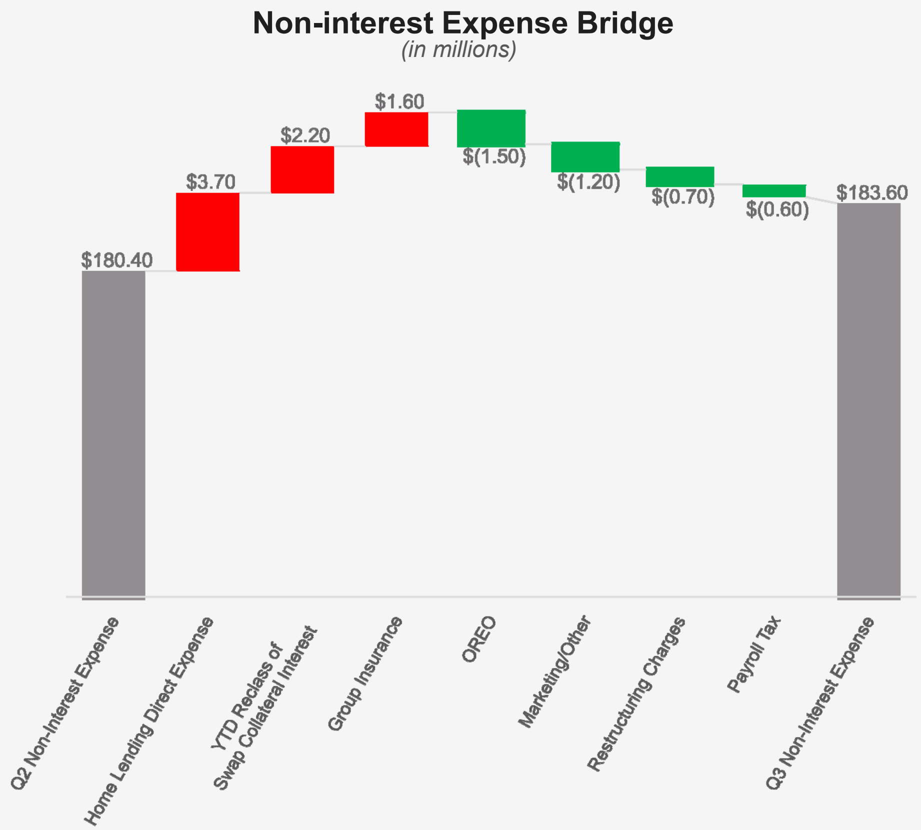
| | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 |
|---|---|---|---|---|---|
| Origination and Sale | $21.0 | $16.7 | $14.4 | $23.2 | $31.4 |
| Servicing | 10.3 | 11.6 | 10.8 | 11.0 | 11.4 |
| Change in fair value of MSR asset: | | | | | |
| Changes due to collection/realization of expected cash flows over time | (6.0) | (6.4) | (6.4) | (6.9) | (6.8) |
| Changes due to valuation inputs or assumptions | 6.2 | (6.6) | (7.5) | (17.8) | 11.0 |
| **Total** | **$31.5** | **$15.2** | **$11.2** | **$9.5** | **$47.0** |



Note: tables may not foot due to rounding.

# Non Interest Expense



# Selected Balance Sheet

*(in millions)*

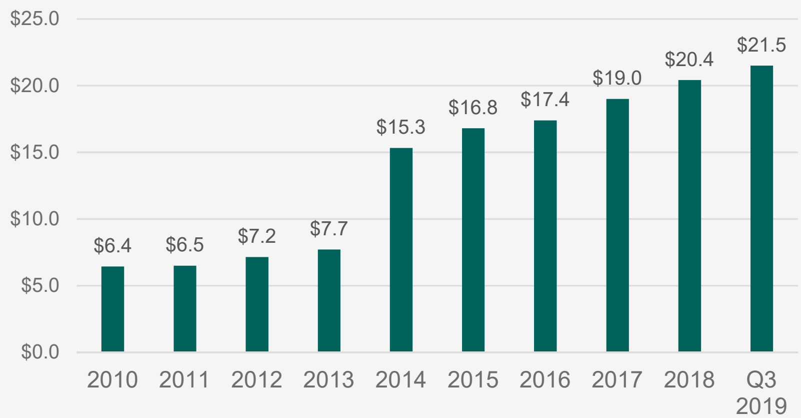
| | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 |
|---|---|---|---|---|---|
| Total assets | $28,930.9 | $27,986.1 | $27,355.6 | $26,939.8 | $26,615.1 |
| Interest bearing cash and temporary investments | 757.8 | 691.3 | 605.8 | 287.2 | 570.3 |
| Investment securities available for sale, fair value | 2,842.1 | 2,698.4 | 2,894.8 | 2,977.1 | 2,864.4 |
| Loans and leases, gross | 21,520.8 | 20,953.4 | 20,406.0 | 20,422.7 | 19,854.0 |
| Allowance for loan and lease losses | (156.3) | (151.1) | (144.9) | (144.9) | (144.0) |
| Goodwill and other intangibles, net | 1,807.4 | 1,808.8 | 1,810.2 | 1,811.6 | 1,813.2 |
| | | | | | |
| Deposits | 22,434.7 | 21,819.0 | 21,243.9 | 21,137.5 | 20,892.8 |
| Securities sold under agreements to repurchase | 296.7 | 308.1 | 288.9 | 297.2 | 287.0 |
| Borrowings | 1,106.7 | 821.7 | 932.4 | 751.8 | 751.8 |
| Total shareholders' equity | 4,289.5 | 4,228.5 | 4,112.3 | 4,056.4 | 4,003.9 |
| | | | | | |
| **Ratios:** | | | | | |
| Loan to deposit ratio | 95.9% | 96.0% | 96.1% | 96.6% | 95.0% |
| Book value per common share | $19.48 | $19.18 | $18.65 | $18.42 | $18.18 |
| Tangible book value per common share[1] | $11.27 | $10.97 | $10.44 | $10.19 | $9.95 |
| Tangible common equity to tangible assets[1] | 9.2% | 9.2% | 9.0% | 8.9% | 8.8% |

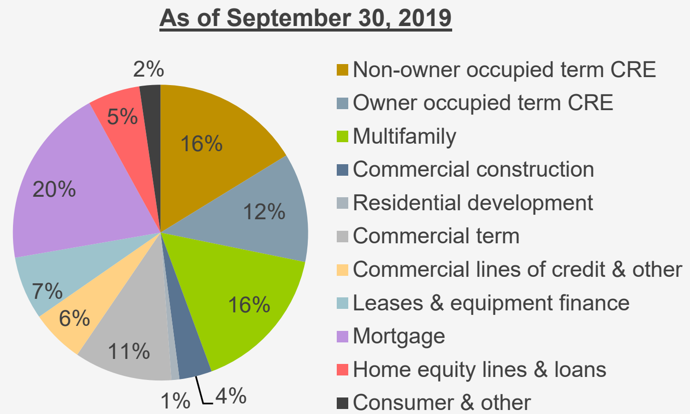
(1) Non-GAAP financial measure. A reconciliation to the comparable GAAP measurement is provided in the appendix of this slide presentation.

# Loan and Deposit Growth

*(in billions)*

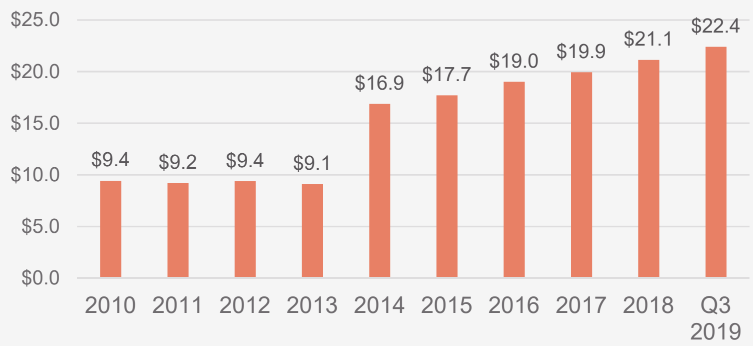
## Loans and Leases (Gross)

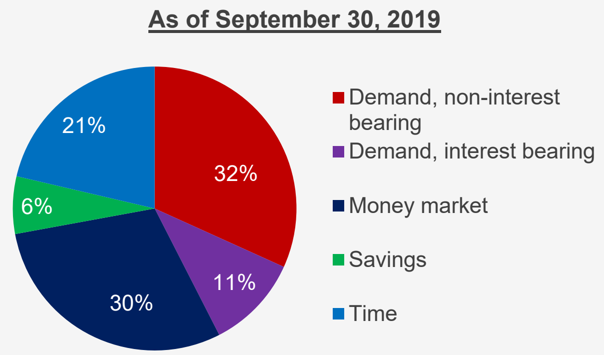



*(in billions)*

## Total Deposits

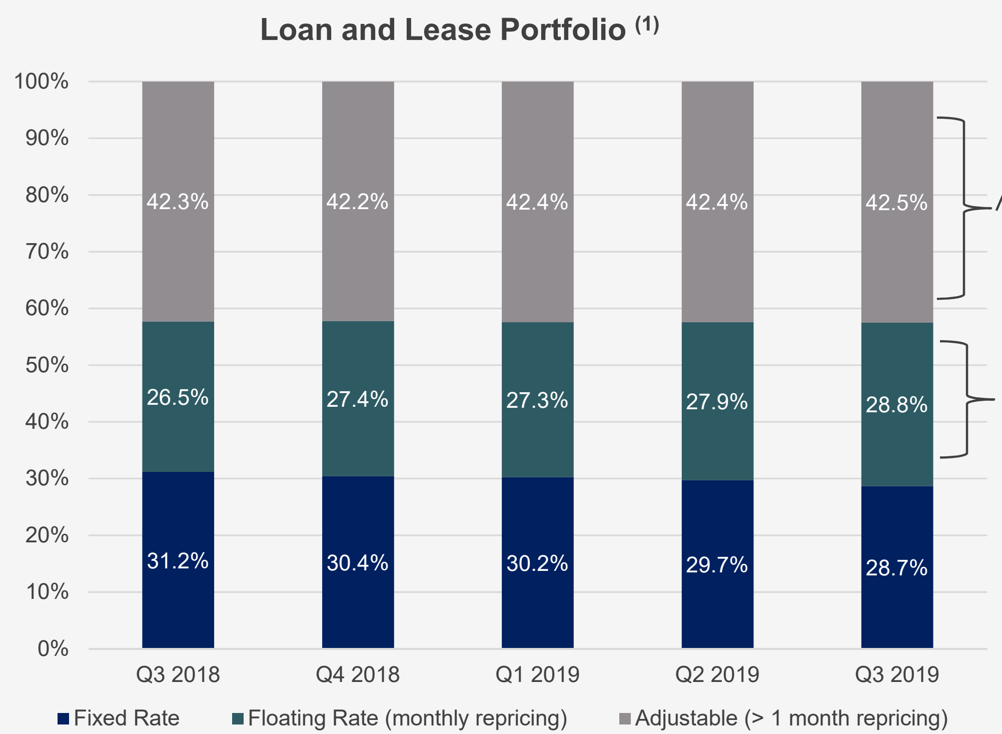


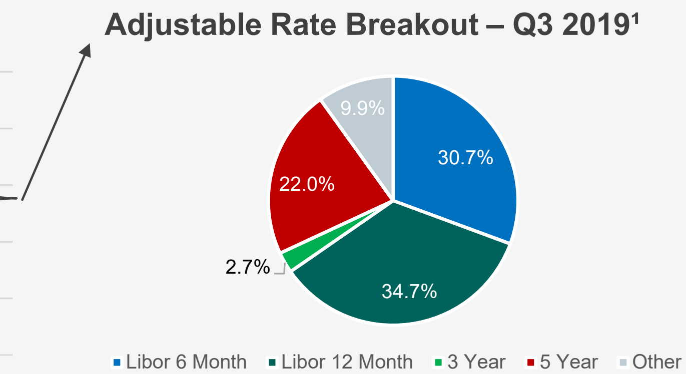



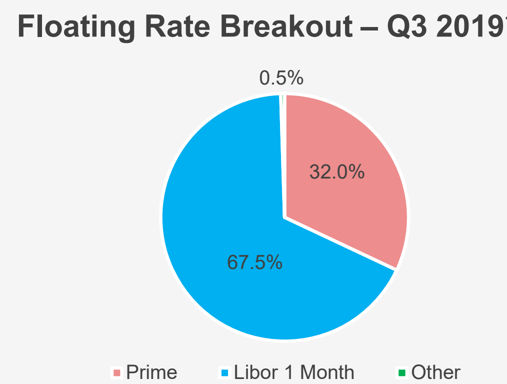



(1) Non-GAAP financial measure. A reconciliation to the comparable GAAP measurement is provided in the appendix of this slide presentation.

# Loan and Lease Portfolio Repricing Schedule




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

# Loan and Lease Portfolio Characteristics

### Mortgage

- Represents 20% of overall portfolio
- Total delinquencies of 0.89%
- De minimis < 0.01% annualized net charge-off rate
- Average loan size of $457,000
- Average FICO of 760 and LTV of 65%

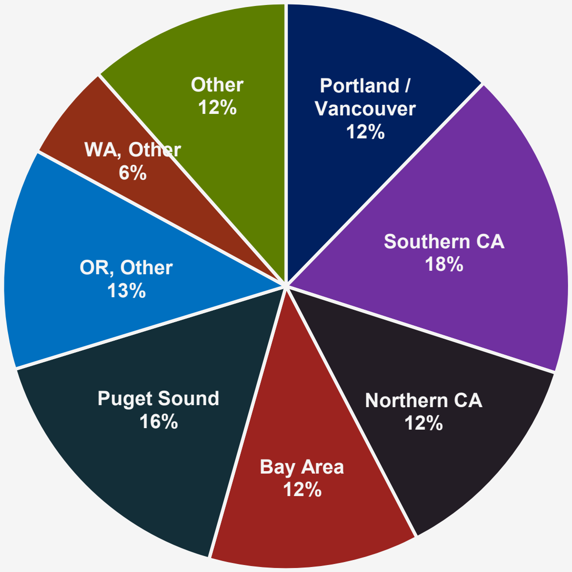
### Non-owner Occupied CRE

- Represents 16% of overall portfolio
- Total delinquencies of 0.33%
- Annualized net charge-off rate of 0.08%
- Average loan size of $1.5 million
- Average LTV of 52% and DSC of 1.9

### Commercial & Industrial

- Represents 17% of overall portfolio
- Total delinquencies of 0.22%
- Annualized net charge-off rate of 0.19%
- Average loan size of $563,000

### Geographic Diversification




### Owner Occupied CRE

- Represents 12% of overall portfolio
- Total delinquencies of 0.54%
- Annualized net charge-off rate of 0.02%
- Average loan size of $857,000
- Average LTV of 52%

### Multifamily

- Represents 16% of overall portfolio
- Total delinquencies of 0.00%
- Annualized net charge-off rate of 0.00%
- Average loan size of $1.7 million
- Average LTV of 53% and DSC of 1.6

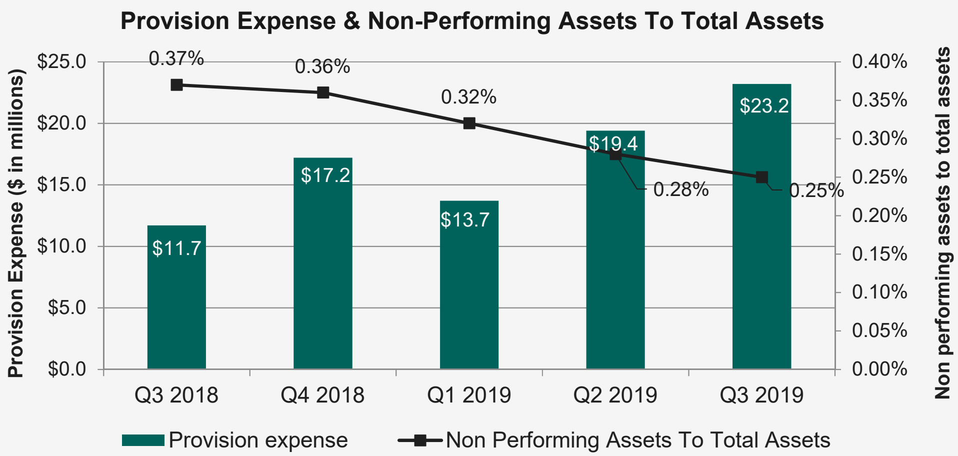
### Lease & Equipment Finance (FinPac)

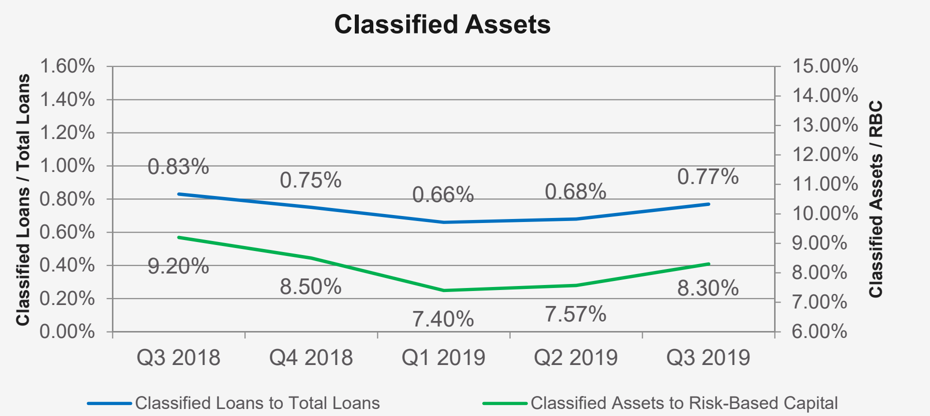
- Represents 7% of overall portfolio
- Total delinquencies of 2.24%
- Annualized net charge-off rate of 3.07%
- ~10% average yield
- Average loan size of $36,000

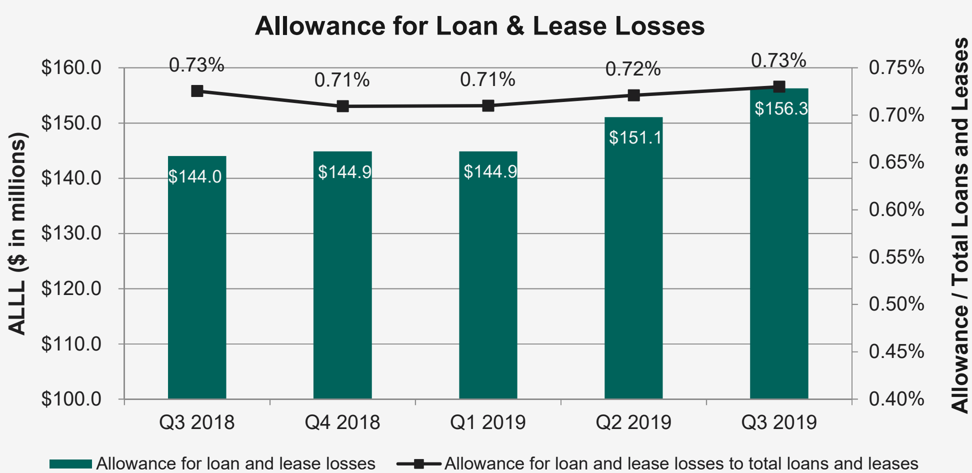


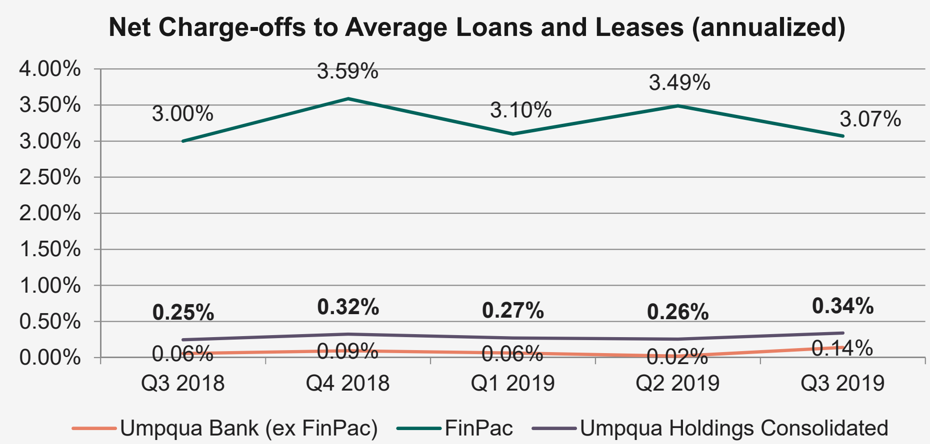
Note: Balances and delinquencies as of Sept 30, 2019. Annualized net charge-off rate for Q3 2019. LTV, FICO and Debt Service Coverage (DSC) are based on weighted average for portfolio. LTV for the Mortgage portfolio represents average LTV based on most recent appraisal against updated loan balance. Totals may not foot due to rounding.

# Credit Quality



# Current Expected Credit Loss ("CECL") Impact

## Cumulative Effect - Day 1 Implementation

- Estimated increase between 30% to 45%
- Driven by Lease, Multifamily, and Residential
- Estimates dependent on:
  - Economic environment
  - Characteristics of the portfolio
  - Model methodologies
  - Management  judgement

## Capital Implications – Day 1

- Tier 1
  - ~18 to 27 bps decrease (~7 to 11 bps decrease if phased in)
- Total Risk Based Capital
  - ~5 to 7 bps increase (~0 to 1 bps increase if phased in)

## Effects

- Increased volatility in times of stress
- Possible changes to pricing

## Expected Impact to Allowance for Credit Losses ("ACL")

| Portfolio | % Change | Causes of Change |
|---|---|---|
| Commercial | ~(15) - 0% | • Length of term<br>• Non-PCD acquired loans included in ACL<br>• DCF methodology on non-revolving portfolio<br>• Consensus economic forecast utilized |
| Lease & Equipment Finance | ~105 - 115% | |
| CRE | ~20 - 45% | |
| Residential/Home Equity | ~10 - 20% | |
| Consumer | ~20 - 30% | |

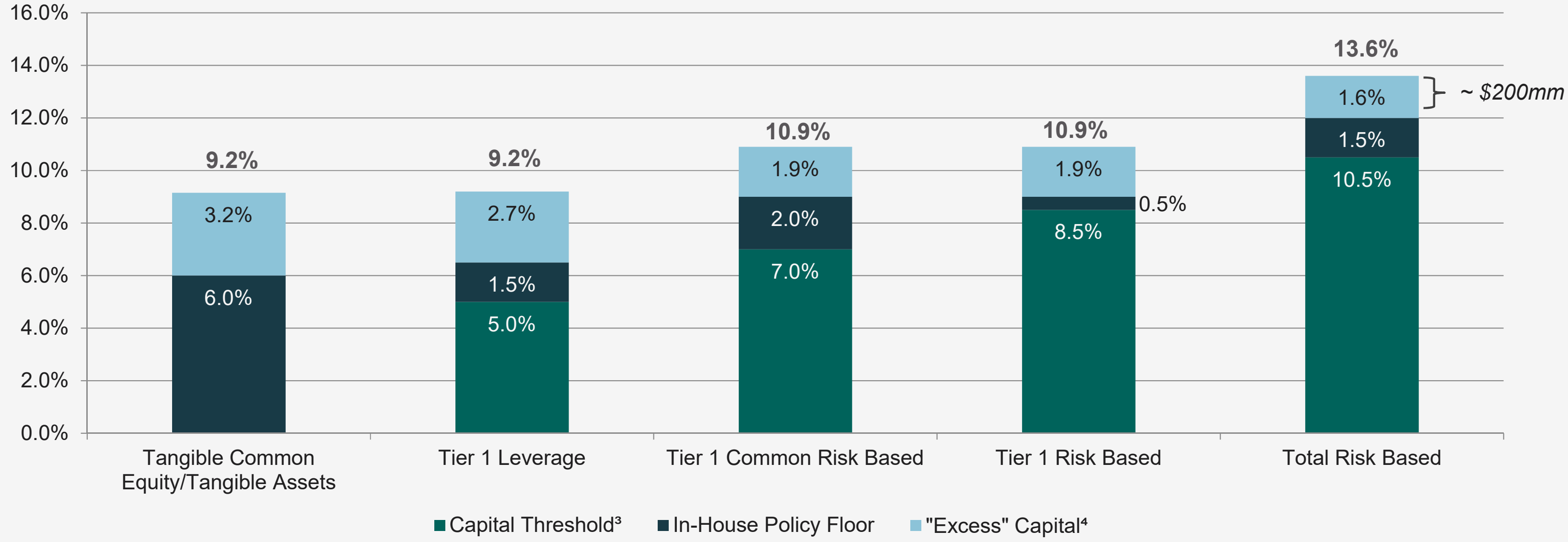
| | Q3 2019 | Day 1 |
|---|---|---|
| Total Allowance | $156MM | ~$203MM to $227MM |
| % of Ending Loans | 0.73% | ~0.94% to 1.05% |

## Allowance based on:

- Loan level probability of default and loss given default values or net charge off rates
- Portfolio level prepayment speeds
- Consensus economic scenario
- Qualitative factors considered when appropriate
- Both discounted cashflow and non-discounted cashflow methods are used based on portfolio

# 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, ~5.10% current dividend yield[2]
  - Q3 total payout ratio of 55%




1. Regulatory capital ratios are estimates pending completion and filing of the Company's regulatory reports.
2. As of closing stock price on 9/30/2019

3. Greater of Regulatory Well Capitalized Threshold or Capital Adequacy Threshold + Capital Conservation Buffer (2.5%)
4. "Excess" Capital defined as capital above thresholds defined above and internal policy limits

# Appendix – Non GAAP Reconciliation

# Non-GAAP Reconciliation – Tangible Book Value

| (In thousands, except per share data) | Sep 30, 2019 | June 30, 2019 | Mar 31, 2019 | Dec 31, 2018 | Sep 30, 2018 |
|---|---|---|---|---|---|
| Total shareholders' equity | $4,289,516 | $4,228,507 | $4,112,326 | $4,056,442 | $4,003,893 |
| Subtract: | | | | | |
| Goodwill | 1,787,651 | 1,787,651 | 1,787,651 | 1,787,651 | 1,787,651 |
| Other intangible assets, net | 19,750 | 21,155 | 22,560 | 23,964 | 25,506 |
| Tangible equity - common | 2,482,115 | $2,419,701 | $2,302,115 | $2,244,827 | $2,190,736 |
| Total assets | $28,930,855 | $27,986,075 | $27,355,625 | $26,939,781 | $26,615,067 |
| Subtract: | | | | | |
| Goodwill | $1,787,651 | 1,787,651 | 1,787,651 | 1,787,651 | 1,787,651 |
| Other intangible assets, net | $19,750 | 21,155 | 22,560 | 23,964 | 25,506 |
| Tangible assets | $27,123,454 | $26,177,269 | $25,545,414 | $25,128,166 | $24,801,910 |
| Common shares outstanding at period end | 220,212 | 220,499 | 220,457 | 220,255 | 220,238 |
| Total shareholders' equity to total assets ratio | 14.83% | 15.11% | 15.03% | 15.06% | 15.04% |
| Tangible common equity ratio | 9.15% | 9.24% | 9.01% | 8.93% | 8.83% |
| Book value per common share | $19.48 | $19.18 | $18.65 | $18.42 | $18.18 |
| Tangible book value per common share | $11.27 | $10.97 | $10.44 | $10.19 | $9.95 |

# Thank You